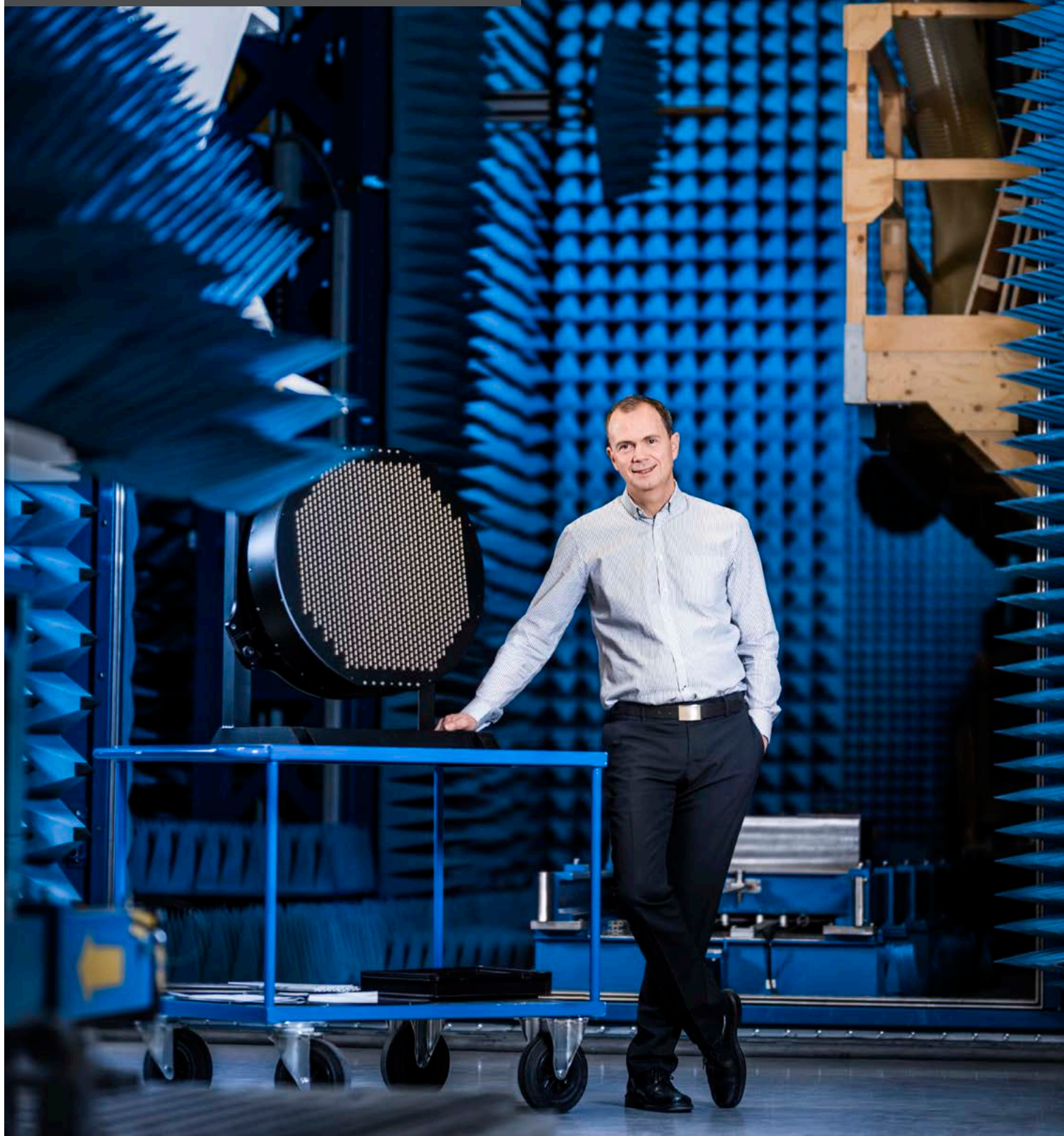


Annual and Sustainability Report 2017

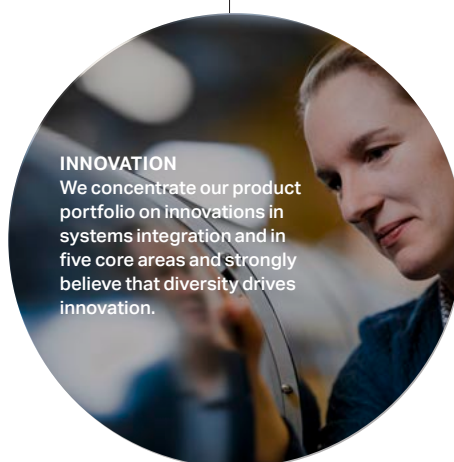
Saab – A step ahead



SAAB

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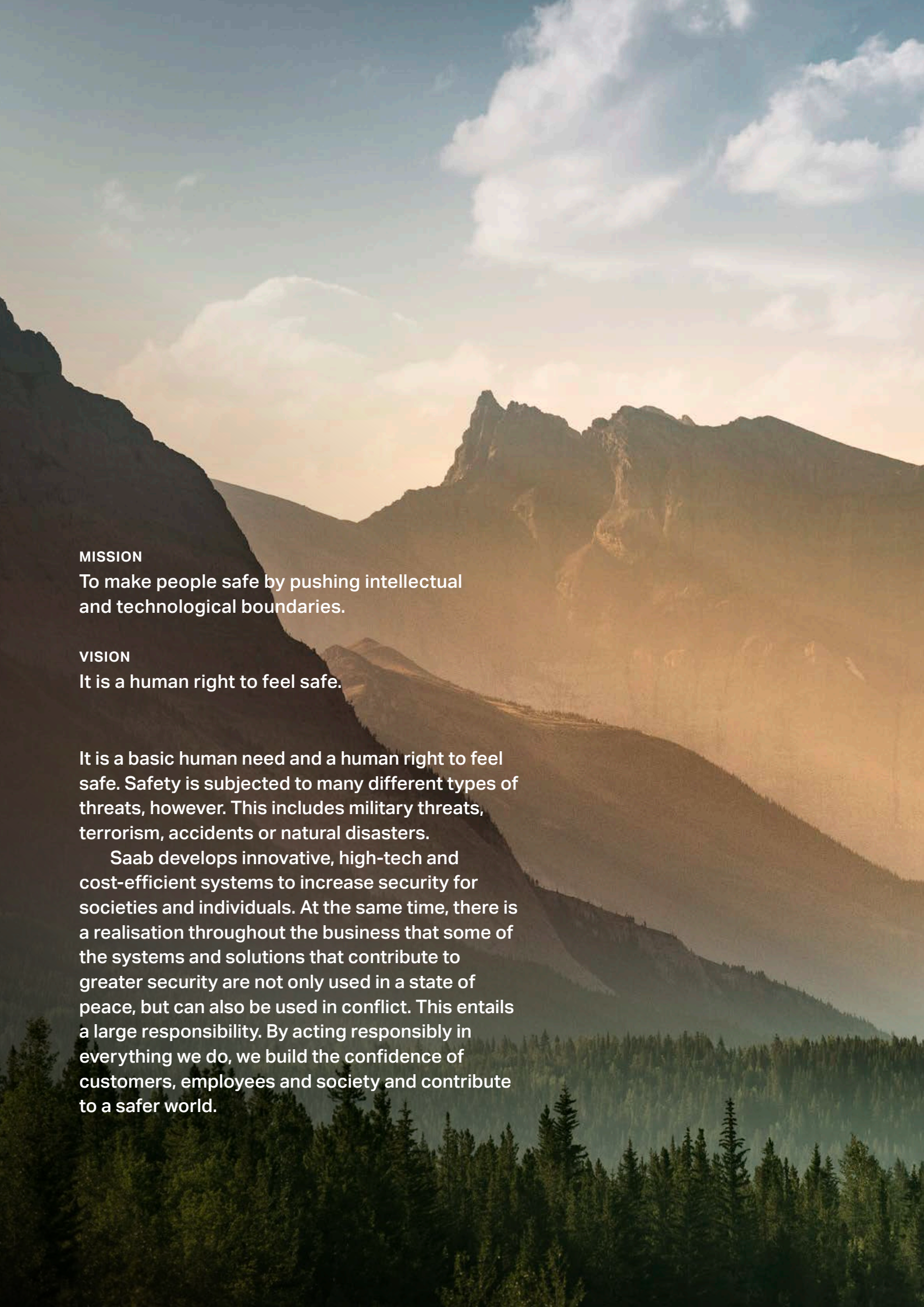
Cover: Fredrik Wising, PhD in Nuclear Plasma Fusion, Business development and strategy, business area Surveillance. See interview with Fredrik Wising on how Saab develops future technology on page 36.

Right: North American wilderness

Saab publishes an integrated annual and sustainability report, inspired by the IIRC's framework for integrated reporting, with additional information in the Sustainability fact book at www.saabgroup.com. The formal annual report comprises pages 45–129. Certain figures have been rounded off, so tables and calculations do not always add up exactly. A printed copy of the annual report can be ordered from servicecenter@servistik.

Calendar

Annual General Meeting	10 April 2018
Interim Report Jan – Mar	26 April 2018
Interim Report Jan – Jun	20 July 2018
Interim Report Jan – Sep	23 October 2018
Year-end report Jan – Dec	15 February 2019



MISSION

To make people safe by pushing intellectual and technological boundaries.

VISION

It is a human right to feel safe.

It is a basic human need and a human right to feel safe. Safety is subjected to many different types of threats, however. This includes military threats, terrorism, accidents or natural disasters.

Saab develops innovative, high-tech and cost-efficient systems to increase security for societies and individuals. At the same time, there is a realisation throughout the business that some of the systems and solutions that contribute to greater security are not only used in a state of peace, but can also be used in conflict. This entails a large responsibility. By acting responsibly in everything we do, we build the confidence of customers, employees and society and contribute to a safer world.

Why invest in Saab?



Saab AB has been listed on Nasdaq Stockholm since 1998 and on the Large Cap list since 2006.
 Ticker: SAAB B
 ISIN code: SE0000112385

1

On the ground close to customers

Saab has expanded its marketing organisation in recent years and created a stronger local presence and relationships with customers in selected markets. The ability to build long-term industrial partnerships provides us with greater insight into what is in demand and helps us to further develop technologies and end products in order to provide customers with the new technology and sustainable solutions they want.

2

Cost efficient

Saab is working constantly to shorten lead times and increase efficiency in its production. This has resulted in lower costs for Saab and for customers. Cost efficiency is always integrated as a parameter back when products and solutions are designed, and Saab is continuously making processes more efficient through automation and digitisation.

3

Highly innovative

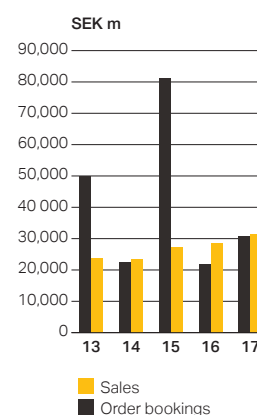
Technological development is accelerating and competition intensifying. Staying on the forefront of technology, combined with cost efficiency, is in Saab's DNA. Cutting-edge expertise, talented employees and business strategy drive Saab and its customers to stay a step ahead and meet future challenges.

Financial highlights (MSEK)

	2017	2016	2015
Order backlog at year-end	106,849	107,606	113,834
Sales	31,394	28,631	27,186
Operating income (EBIT)	2,155	1,797	1,900
Operating margin (EBIT), %	6.9	6.3	7.0
Net income	1,438	1,175	1,402
Of which Parent Company's shareholders' interest	1,407	1,133	1,362
Earnings per share, SEK (after dilution)	13.10	10.60	12.79
Free cash flow	852	2,359	-726
Dividend per share, SEK	5.50*	5.25	5.00
Equity/assets ratio, %	32.2	32.3	36.8
Internally funded R&D, share of sales, %	6.6	7.2	6.5
Number of employees at year-end	16,427	15,465	14,685

* Board of Directors' proposal

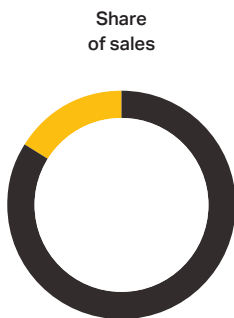
Order bookings and sales



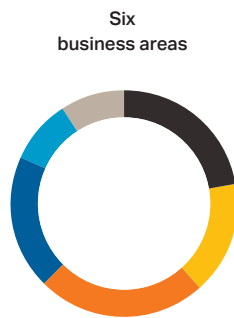
The road to profitable growth

The road to profitable growth has been paved by conscious choices over the years, with strategic investments in the development of new technologies and products as well as a new strategy to closely partner with customers through the marketing organisation.

Taken together, this has laid a stable foundation for profitable growth, which is also a prerequisite for creating long-term value for shareholders, customers, employees and the communities Saab serves.



■ 84% defence-related products and services
■ 16% civil products and services



Saab's operations are divided into business areas based on products and technologies. Learn more about Saab's business areas on pages 47-52.

■ Aeronautics, 22%
■ Dynamics, 16%
■ Surveillance, 24%
■ Support and Services, 19%
■ Industrial Products and Services, 9%
■ Kockums, 9%



To ensure a presence in key local markets, Saab has five market areas: Europe, Middle East & Africa, North America, Latin America and Asia Pacific.

■ Europe, 57%
■ Middle East & Africa, 14%
■ North America, 9%
■ Latin America, 8%
■ Asia Pacific, 12%

Internationalisation, flexibility and speed will decide the future

My fellow shareholders and others interested in Saab, we live in a world of conflicts, extremes and growing tensions. A world that is less stable than the one we had grown used to in recent decades. Globalisation, cooperation and openness are being called into question, but at the same time we are seeing how individual regions are integrating their societies and economies even more and how technological breakthroughs are linking various parts of the world together. 2017 was a year marked by terrorist attacks and escalating geopolitical threats. In times like these, the focus shifts to security, and the defence of national sovereignty and basic human freedoms and rights becomes more important.

Saab celebrated its 80th anniversary during the year. The company was founded with a mission to safeguard Swedish air combat capabilities and thereby became an important part of Swedish security and neutrality. This mission, to supply the Swedish Armed Forces with high-tech systems that increase the

country's defence capabilities, is just as important today, but now Saab also has large parts of the world as its market.

Internationalisation will remain a watchword for Saab as we look to the future. We are building on established businesses in a number of countries and will continue to grow interna-

tionally. It is important, however, that we grow where we have the potential to further develop our business in a way that benefits both the new and old customers. Growing through sustainable business is also a critical factor. And we have to grow with strict profitability requirements to be able to handle the major investments needed to stay a step ahead.

High-tech expertise and innovation are the very foundation of our international competitiveness. Saab has a technological depth and breadth few others can match. This is a result of strategic, long-term and extensive investments in research and development, thanks to which we now have some of the most modern systems on the market. But to stay internationally competitive at a time when technological advances are being made at an astonishing rate we have to encourage innovation in every possible way and place high demands on efficiency at every level of the business.

To grow and collaborate internationally are essential for Saab to remain a competitive high-tech Swedish company in the future. In addition, we must benefit from industrial digitisation. Saab is a unique company and the



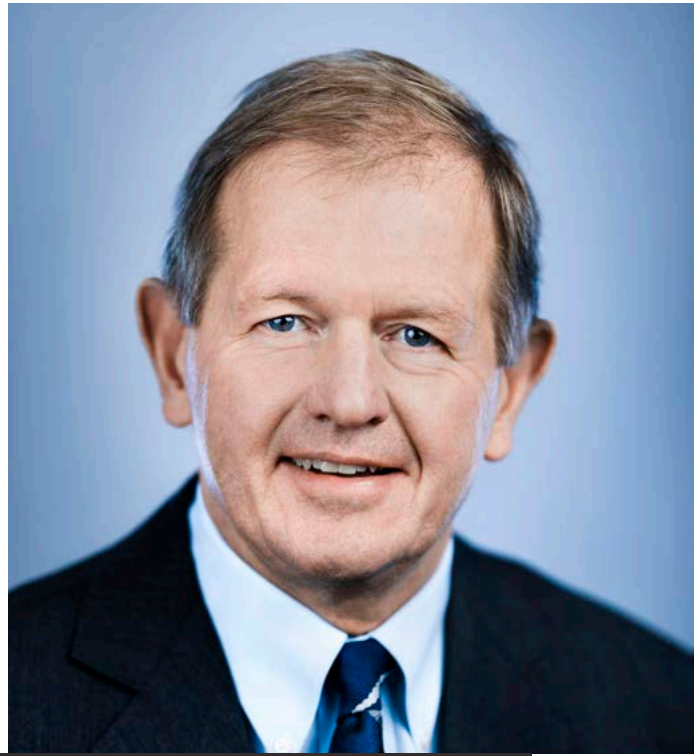
Important events 2017

Order for next generation anti-ship missile

Saab signed a contract with the Swedish Defence Material Administration (FMV) in March for the development and production of the next generation anti-ship missile. The contract includes the development of an anti-ship missile in both air-launched and ship-launched configurations. The next generation system will be integrated on the Swedish Armed Force's new Gripen E fighters and in the Swedish Navy's Visby class corvettes. The order value amounted to MSEK 3.2 billion and deliveries take place in 2017–2026.

First successful flight for Gripen E

On June 15, Gripen E took off on its maiden flight. Its flight characteristics and embedded functions were tested while airborne and the aircraft performed exactly as expected. The flight was achieved with fully qualified software for the new avionics system. Flight test activities will continue and in 2019 delivery will begin to the Swedish and Brazilian customers.



» High-tech expertise and innovation are the very foundation of our international competitiveness.«

complexity of large development projects such as next generation submarines, combat aircraft systems and airborne early warning and control systems demands project execution of the highest order.

2017 was a successful year. Order bookings were again strong in airborne early warning and control systems and support, and orders for the development of the next generation of products are important signs that we are headed in the right direction. Operating income and operating margin strengthened and Saab took another step towards reaching its long-term financial goal of a 10 per cent operating margin. Medium-sized orders increased as well, which is very gratifying.

This is the path we will continue to follow in 2018 and beyond. On behalf of the Board of Directors, I want to express my sincere appreciation to Saab's CEO, Group Management and all of our employees and partners.

Stockholm, February 2018

Marcus Wallenberg
Chairman

Modification and upgrading of Swedish corvettes

In late June, Saab signed a contract with the Swedish Defence Materiel Administration (FMV) for the modification and upgrading of the Swedish Marine's Gävle-class corvettes. The contract includes a general inspection and the modernisation of the ships with a new, advanced combat system. The order value amounts to SEK 1.249 billion and the work will be carried out during the period 2017–2020 at Saab in Karlskrona and Järfälla within the business areas Kockums and Surveillance.

Changes in Saab's Group Management

During the first quarter Ulf Nilsson resigned as Head of Business Area Aeronautics and was replaced by Jonas Hjelm, former Head of Business Area Support and Services. During the third quarter Ellen Molin was appointed the new Head of Business area Support and Services an Jessica Öberg was appointed the new Head of Business Area Industrial Products and Services. Dan Jangblad, former Head of Business Area Industrial Products and Services, left Group Management to take a position as Senior Advisor to the CEO.

We create profitable growth by staying a step ahead

In 2017, we focused on continued profitable growth and improving efficiencies. When Saab grows, we face more demands. We have to continuously challenge ourselves to be better, more productive and stay a step ahead. In this way we can reach our long-term goal of a safer and more secure world and make our customers even better.

Continued strong development

The year was distinguished by strong development in the markets where we are active. Demand is growing in civil security as well as an anxious time when threat scenarios are becoming more complex. 2017 was an important year when Saab further strengthened its position as an international leader and partner. Last summer, Gripen E, the world's most modern jet fighter, made its historic maiden flight, and in the autumn Saab was selected by the Australian government as a potential supplier of the tactical combat management system for its future frigates, among other applications. In addition, Saab received two major orders during the year in airborne surveillance, and Sweden ordered the development of production of the next generation of anti-ship missiles, the modification and upgrade of the Swedish Navy's Gävle-class corvettes, a new Special Purpose Ship for Signal Intelligence (SIGINT), and continued support and maintenance of Gripen C/D.

We received major orders in several areas during the year and order bookings rose 41 per cent to SEK 30.8 billion. At year-end 2017, Saab's order backlog was SEK 106.8 billion, of which 63 per cent was orders from outside Sweden. Our order backlog is now 3.4 times higher than our sales, which positions us well for further growth in the years to come. Sales amounted to SEK 31.4 billion.

Operating income amounted to MSEK 2,155 and the operating margin was 6.9 per cent. Operational cash flow amounted to MSEK 1,388.

Today, Saab has large ongoing projects developing a new generation submarine, A26, a new combat aircraft system, Gripen E, next generation airborne early warning and control system, GlobalEye and a new anti-ship missile to Sweden. It is of utmost importance for Saab that we execute these large complex projects efficiently and that everyone delivers at the highest level. During the year, a number of efficiency improvement projects has been implemented within the company, where we for example focus on streamlining functional processes. Mainly the business area Dynamics and operations related to airborne early warning and control systems and support operations improved profitability in 2017.

In 2018, the focus on efficiency improvements will continue. This is an important factor for Saab to reach its long-term goal of a 10 per cent operating margin.

Collaborations are a key to success

Various types of collaborations not only strengthen our business, but are a way for us to create jobs, social cohesion and increased trade between countries. We also see that to a large extent this is demanded by customer countries, as it contributes to the development of their defence capabilities and indus-

trial expertise. In 2017, we announced plans to manufacture the T-X trainer aircraft in the US if Boeing and Saab win the tender to supply this advanced aircraft to the US. We also signed an agreement with Nanyang Technological University in Singapore to extend our research collaboration in air traffic control. The latter is just one of many examples of the so-called triple helix model, where value-added is created collaboratively between industry, universities and the government.

In a turbulent world taking long-term responsibility is growing more important

It remains a turbulent world. War, terrorism, geopolitical threats and cyberattacks are making people worried. As threat scenarios change and become more complex, borders are gradually being erased between what has traditionally been considered military versus civil threats. Saab's capabilities and core competence in systems integration, sensors and cybersecurity are therefore growing in demand.

In times of instability, our shared responsibility is to stand up for freedom, safety and security. We want to help make the world a safer, more secure place for people and society. As a business with a long-term perspective, we will always make sustainable choices and act in accordance with the company's values, code of conduct, regulations and processes, where anti-corruption and defence exports are two important areas. Sustainable and responsible

Important events 2017, cont.

Order in Airborne Early Warning and Control

In January, Saab received an order in the airborne early warning and control (AEW&C) segment. The order value amounts to approx. MUSD 236 and deliveries will be made during 2019–2021. The AEW&C system provides access to detailed situational awareness and can be used for border surveillance, search and rescue operations, and for tackling terrorism and organised crime. Work will be undertaken within Saab's business area Surveillance and business area Support and Services.

Armasuisse selects Saab for next generation Light Anti-Tank Weapon system

Saab received an order in June from the Swiss Federal Office for Defence Procurement, Armasuisse, for deliveries of the Next generation Light Anti-Tank Weapon system (NLAW), associated training equipment such as drill rounds, indoor training simulators, and support and maintenance of the training equipment, to the Swiss Army. The order value amounts to SEK 1.035 billion with deliveries during the period 2018–2021.



» We have to continuously challenge ourselves to be better, more productive and stay a step ahead. In this way we can reach our long-term goals and make our customers even better. «

business is essential to remain profitable. During the year, we further integrated sustainability in our operations and business strategy. The UN Global Compact's principles on human rights, labour, the environment and anti-corruption are an important foundation.

Our global environment is another major challenge we have to manage in various ways. One example of how we are constantly challenging ourselves is that in 2017 we successfully conducted a number of test flights of Gripen D on biofuel. The flights went off as planned and our continued efforts in this area are helping to further advance our positions and ensure Gripen's future.

Increased internationalisation is critical to our strategy

Our innovative strength, combined with a presence close to customers around the world, gives us a unique ability to share insight and know-how with customers. In the process, we can also stay a step ahead and constantly meet their needs for new solutions. In the area

of cybersecurity, we are now working on concrete innovations and technical solutions. This is one of many challenges ahead of us.

In line with our business energy, we are now established in more locations than ever before. In Australia, we created a strong platform during the year for future growth and further consolidated another home market. We also took an important step in the United Arab Emirates to expand our position by inaugurating a new centre to develop and produce sensor systems. In the US and several other countries, we are working to strengthen our presence and build closer relationships.

This is a natural step as we grow. Looking a number of years ahead, we will have larger operations outside Sweden than today. Further internationalisation, efficiency improvements and a focus on being local where our customers need us are the keys to our strategy.

We have to constantly challenge ourselves and be more efficient in everything we do.

When we grow, the demands we face increase, which means that we have to build on our success by further strengthening sales, winning new orders and delivering on all our projects.

We look forward with confidence to the coming years and believe we will see further growth, strong technological development and new advances. None of this would be possible without our over 16,000 employees. It is their skills, engagement, and range of perspectives and backgrounds that are driving our business forward.

Stockholm, February 2018

Håkan Buskhe
President & CEO

Combat management system for Australian Navy

In early October, the Australian government identified Saab to provide the tactical interface for the Royal Australian Navy's (RAN) fleet of nine Future Frigates. Saab was also selected to supply the 9LV Combat Management System for the future Offshore Patrol Vessels programme.

External factors

Saab sells products and services in many countries around the world. The geopolitical landscape has shifted in recent years, which has led to growing demand for security and defence capabilities. At the same time, technological developments are leading to new and more effective solutions that improve the ability of governments to protect their societies.

External factors

Geopolitical conditions and macro factors

Geopolitical turmoil around the world has forced many countries in recent years to reassess their defence capabilities, both their own and in multi-national alliances. The European defence market has been impacted by, among other things, Russia's military build-up. This perceived threat, coupled with the challenges facing European society due to terrorism, has led to increased defence budgets. At the same time, more resources are being allocated to protection of various kinds.



Impact and our position

When new economic and geopolitical conditions arise, sources of conflict and security needs change. Customers want integrated solutions from suppliers that understand the global context as well as specific situations in local markets. Saab has expanded its marketing organisation in recent years and created stronger relationships with customers, which in many countries is a prerequisite to be considered as a supplier.

Interoperability and collaborations

Although we are seeing a tendency to focus more on defence of domestic borders and territory, it is still important today to have a military that can take part in international missions. Demand is increasing for systems that are designed to easily work together with others. When the militaries of more than one country operate together, it has to be easy to coordinate and integrate their systems. It is becoming increasingly common that large defence materiel and systems are developed collaboratively between companies and countries, in part to share development costs.



The trend toward international cooperation requires Saab to develop open, cost-efficient and intelligent systems that can be coordinated and integrated with other systems. Close collaborations and development together with various customers has helped to shape us from the beginning. Saab's systems and solutions are designed today for interoperability and systems integration, which are Saab's core competence.

Cost-efficient products and solutions

Demand for modern defence materiel is growing at the same time that defence spending is limited. This is driving demand for advanced products with a lower initial price and that are cost-efficient to operate and maintain. At the same time, there is growing need for shorter lead times for advanced systems.



Saab has always had to integrate cost efficiency as a parameter when designing products or solutions. As a result, Saab has for many years offered multifunctional products that fill several needs. We are working continuously to shorten lead times and increase efficiency in production. This has resulted in lower costs for Saab and for our customers.

Technological development

Information and communication technology, ICT, is permeating every dimension of today's society. Processes at various levels of society are being digitised, which increases vulnerabilities. Robust and secure systems are an absolute necessity. Rapid technological developments are changing how capabilities are developed as well as planning and procurement processes. Shorter decision-making and development cycles and increased predictability require timely deliveries.



Saab's core competence is systems integration. This largely means integrating ICT for applications with multiple functions and creating security and robustness in systems. Saab reinvests a large part of its sales in research and development. A continuous, close dialog with customers, partners and universities ensures that we drive technological development forward in line with our priority areas. With the help of new technology, Saab is working actively to be more efficient in its deliveries.

Sustainable business

In a global world with limited energy resources and climate threats, companies are increasingly expected to address social and environmental sustainability. Reporting and transparency demands are growing as well. In 2015, the UN introduced new sustainable development goals and challenged the business community to do its share.



To ensure that we act responsibly and transparently, we have prioritised a number of key issues for our sustainability work that we annually report and monitor. Saab helps to develop solutions that combine better energy performance with lower costs and less environment impact. Through innovation, industrial partnerships and technology transfers, we also contribute to technological and economic developments in the markets where we are active.

Build up domestic capabilities

More and more countries are demanding industrial cooperations in connection with the purchase of defence materiel. This cooperation can mean transfers of technology or knowledge, research partnerships or assistance in building up the local industry. The aim is to develop the domestic capability to maintain and grow defence systems.



Saab's systems and solutions are distinguished by interoperability and systems integration. This enables us to meet demands for cooperation and technology transfers. In recent years, Saab has strengthened its local presence in selected markets. With employees on the ground in the local market, Saab gains a better understanding of how the market and local procurement processes work.



The importance of digitisation to the defence industry

Technological developments are advancing at a rapid rate. Digitisation in society is reducing the cost to store and distribute large amounts of information, at the same time that information and tools for data processing are available wherever we want. But what does this really mean for Saab, which has world-leading technology in many areas?

For Saab, digitisation is clearly a watchword for the future. In some areas, Saab has already benefited from technological developments; in others there are tremendous future opportunities.

There are two fundamental features that are shared by all of Saab's major software systems: **virtualisation**, i.e. that software is made independent of the underlying hardware, and **separation of safety-critical data**.

"A good example is Gripen's aircraft systems," says Pontus De Laval, Chief Technology Officer at Saab. "Verification of software in a combat aircraft is a classic bottleneck that can lead to years of development delays. The reason is the rigorous handling of safety-critical functions that's necessary. If these functions are mixed with tactical functions (e.g. radar capabilities, electronic self-protection systems, etc.), verification becomes both more extensive and time-consuming.

In Gripen, we have completely separated the safety-critical part and can verify it separately. The result is much shorter development times and the ability to more flexibly develop new tactical functions without sacrificing aviation safety."

He also mentions that Saab's systems are becoming more complex and entail more software for each new generation that is developed. Producing all this software ourselves will be impossible in the future and the resources won't be available to maintain sufficiently high quality. Saab therefore has to be much more efficient in developing complex software-based systems.

"Our vision is to develop on our own only the software that makes our systems unique; 95% we can get somewhere else," says Pontus De Laval. "This creates very specific demands, however, in terms of the development environment and tools to assure the quality of external software (open source, etc.). These are areas we are now focusing on. The results, we expect, will not only be more effective development capabilities, but also interesting new products such as extremely secure cloud environments for military and safety-critical applications."

"In the long run, we believe this will pave the way to manage sensitive data (radar, signals intelligence, sonar, etc.) with artificial intelligence."

» For Saab, digitisation is clearly a watchword for the future. In some areas, Saab has already benefitted from technological developments; in others there are tremendous future opportunities. «

Pontus De Laval, Chief Technology Officer



Value creation

By consistently taking a long-term approach and being financially stable, we create value in line with our vision to increase security for societies and individuals. Our aim has always been to stay on the forefront of technology, which is made possible through investments in research and development and various collaborations. In 2017, we continued to grow, and we will do so again in 2018. We are strengthening our local positions and improving productivity so that we can develop, produce and deliver more efficiently in a shorter time.



The photo above shows remote air traffic control.



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Strategy – A step ahead

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Long-term targets

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Saab creates value

/ 18

Perspectives on value creation

/ 20

Saab's share

A step ahead – Saab’s strategy is based on three priority areas

To stay a step ahead and meet customers’ needs in an optimal way, Saab has prioritised three areas: market, performance and innovation. In practice this means staying close to customers and working more effectively with innovation as a guiding principle in all our businesses. At the same time, sustainability affects everything Saab does, and engaged employees are the key to our continued growth.

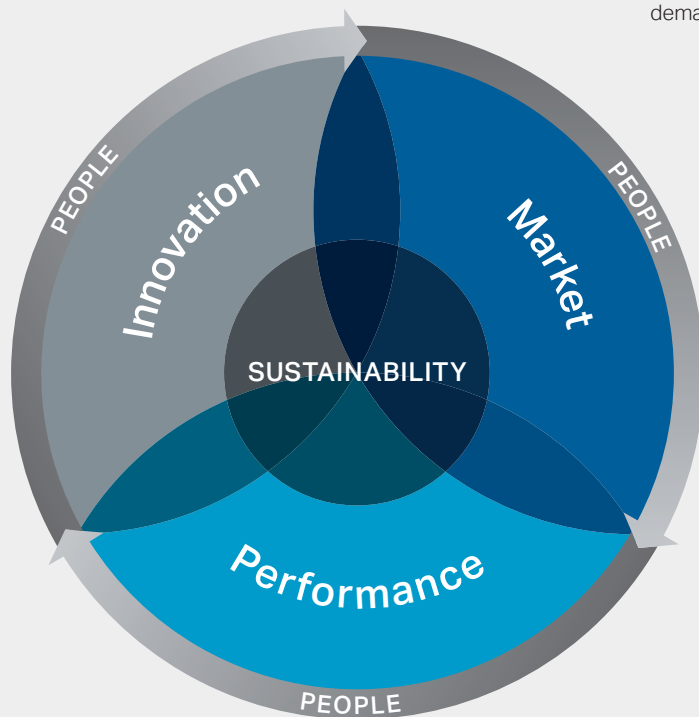
Innovation

The product portfolio is concentrated on innovations in five core areas* where diversity and engaged employees drive innovation

**Learn more about our five core areas on page 37.*

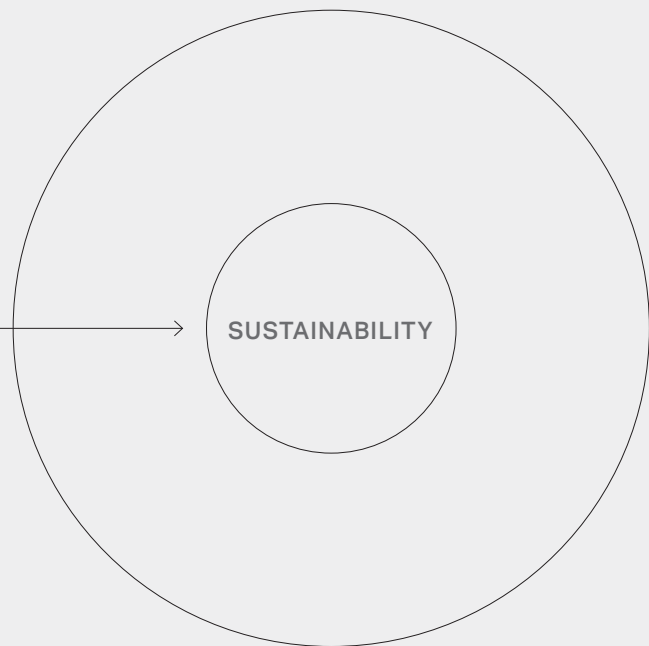
Market

Through a strong local presence partnerships and collaborations, we focus on areas where we have a strong market position and on strengthening our position in areas with good growth opportunities. Sustainable business creates stronger relationships and greater insight and opportunities to meet future demand for products and services..



Performance

The focus is on continuously making functional processes more efficient, developing, producing and delivering more efficiently in a shorter time to meet customer demand and increase their capabilities, implementing an even more business-oriented culture, and developing leaders and employees.



Security and defence capabilities are the foundation of Saab's commitment to sustainability

Saab was founded 80 years ago at a turbulent time in the world when Sweden had to better protect its borders. Since then, Saab has developed into an international partner that contributes to increased security and defence capabilities in Sweden and other countries. This is the foundation of our commitment to sustainability. To contribute to increased security and defence capabilities in a responsible way, we have prioritised a number of issues for Saab's sustainability work (see below). For detailed information on each issue, see the Sustainability fact book on www.saabgroup.com/responsibility.



Responsible business

- Zero tolerance for corruption
- Export compliance
- Responsible supplier relationships
- Information security
- Product safety



Reduce environmental impact

- Reduce climate impact
- Phase out hazardous chemical substances
- Environmentally sustainable innovations



Employer of choice

- Develop leaders and employees
- Attract and retain employees
- Gender equality and diversity
- Health and safety



Contribute to society

- Industrial partnerships and technology transfers
- Research and development
- Promote education and an interest in technology

Meeting our long-term targets

Based on the three priority areas in its business strategy, Saab has identified long-term targets, which activities are required to reach them and how performance will be tracked. Saab's priority sustainability issues are integrated in the strategy work.



Prioritised areas	Long-term targets	Getting there
Market	<ul style="list-style-type: none"> • Be well established in selected markets and have a strong local presence. • Organic sales growth will average 5 per cent over a business cycle. 	<ul style="list-style-type: none"> • Industrial partnerships and technology transfers, page 24. • Focused marketing, page 26. • Increased local presence and partnerships, page 26. • Increased order bookings medium-sized orders, page 26. • Compliance with export regulations, page 27. • Zero tolerance for corruption, page 27.
Performance	<ul style="list-style-type: none"> • The operating margin (EBIT) will average at least 10 per cent over a business cycle. • Equity/assets ratio will exceed 30 per cent over a business cycle. • Reduce environmental impact. 	<ul style="list-style-type: none"> • Digitisation and automation, page 30–31. • Information security, page 31. • Responsible supplier relationships, page 31. • More efficient processes, pages 31. • Develop leaders and employees, page 32. • Reduce GHG emissions, page 33. • Phase out hazardous chemical substances, page 33.
Innovation	<ul style="list-style-type: none"> • Be an industry leader in innovation. • Have a product portfolio consisting of technologically leading solutions and products adapted to the market's needs. 	<ul style="list-style-type: none"> • Invest in pioneering technologies, page 36. • Concentrate the product portfolio on innovations in five core areas, page 37. • Increase R&D collaborations with selected customers internationally, page 37. • University partnerships, page 38. • Attract talent and promote education and an interest in technology, page 39. • Promote diversity, page 39.



Results 2017	Connection to the UN's Global Goals
<ul style="list-style-type: none"> • 55 per cent of order bookings and 63 per cent of the order backlog were outside Sweden. • 18 per cent of our employees were outside Sweden. • Organic sales growth was 10 per cent. 	<div data-bbox="865 907 981 1025"> <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> </div> <p>Sustainable industry, innovation and infrastructure with a target of supporting domestic technological development, research and innovation.</p> <div data-bbox="865 1079 981 1198"> <p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p> </div> <p>Peace, justice and strong institutions with a target of substantially reducing all forms of corruption.</p>
<ul style="list-style-type: none"> • The operating margin was 6.9 per cent. • The equity/assets ratio was 32.2 per cent. • GHG emissions decreased by 26 per cent as related to sales from 2007. 	<div data-bbox="865 1265 981 1384"> <p>13 CLIMATE ACTION</p> </div> <p>Climate action.</p>
<ul style="list-style-type: none"> • Invested 23 per cent of sales in R&D. • Globally, 25.2 per cent female managers and 23.2 per cent female employees in total. In Sweden, 28.4 per cent female managers and 23.1 per cent female employees in total. • 36 PhD candidates during the year. 	<div data-bbox="865 1635 981 1753"> <p>4 QUALITY EDUCATION</p> </div> <p>Quality education for all.</p> <div data-bbox="865 1776 981 1895"> <p>5 GENDER EQUALITY</p> </div> <p>Gender equality.</p>

Saab creates long-term value

For Saab, global relationships and partnerships are a way to bring people, technologies and businesses together, but also to contribute to national and international security. By acting sustainably in working to create profitable long-term growth, we build trust among shareholders, customers, employees and society, and contribute to a more secure world.

External factors:

- Geopolitical prerequisites and macro factors
- Interoperability
- Cost-efficient products and solutions
- Technological development
- Sustainable solutions and a resilient business
- Build up domestic capabilities



Assets/Resources:

- Employees
- Collaborations
- Financial capital
- Brand
- Specialised expertise
- Systems integration

2

Performance

Saab is becoming more efficient and focused on project execution, marketing and sales.

1

Market

A local presence close to customers creates stronger relationships and collaborations and greater insight into their needs.

A step ahead

3

Innovation

Greater insight into customers' needs creates opportunities to develop the right combination of products and solutions.



Fred Andersson at Saab in Järfälla is one of several employees who during the year served as a mentor to students in socially disadvantaged areas. "It's exciting to meet young people and teach them about life in the workplace. It has also been really positive to see how happy the students and staff in the schools are when we visit. Obviously, it's also nice to get out and have a change of pace from what we usually do."

Created value:

Strategic investments

Profitable growth

Long-term value creation

Customers

Increased security and defence capabilities
Technology transfers
Compliance with export regulations
Zero tolerance for corruption

Employees

Skills development
Salaries and benefits
Programmes to increase diversity and gender equality

Society

Increased security and defence capabilities
Innovation and spreading knowledge
Job opportunities
Products that help to reduce climate impacts

Owners

Stable return
Sustainability integrated in operations

Suppliers and partners

Commitment to sustainability in the supply chain
Long-term relationships

7.3 SEK billion

Research and development

10.0 SEK billion

Employee salaries

2.8 SEK billion

Taxes paid to society

563 SEK billion

Dividend to shareholders

145 SEK billion

Interest paid to lenders

15.8 SEK billion

Supplier costs

Saab acquired Kockums in 2014. Since then, the business area has experienced good growth and profitability, which in turn has led to extensive hiring needs in production in Karlskrona and on the island of Muskö as well as in development and design in Karlskrona and Malmö. Since the acquisition, the number of employees has nearly doubled. In 2017, over 200 people joined Kockums.



Perspectives on how Saab creates value

Profitable growth is a prerequisite for Saab to continue to create long-term value for its various stakeholders. Here a few of them discuss how Saab contributes from their perspective.

Financial analyst

What sets Saab apart among the companies you analyse?

"Saab has a unique profile compared to other manufacturing companies in the region. The combination of high technology, research and development intensity, and the long lead times and size of its projects creates challenges, but more importantly great opportunities."

Are there any sustainability issues where you have higher expectations of Saab?

"Because Saab is active in aerospace and defence, it faces high demands and expectations in terms of business ethics, specifically in fighting corruption, cooperating with export control agencies and working long-term to increase transparency by suppliers and customers in the industry."

Erik Golrang, Equity analyst, SEB



Lender – SEK

Are there any areas that are especially important for you to be pleased with Saab as a partner?

"Our role at SEK is to finance Swedish exports. For us it is important to have an open and close dialogue on the deals we finance and how Saab manages corruption risks in its operations. This dialogue with Saab has worked very well."

Are there any sustainability issues where you as a lender have higher expectations of Saab?

"SEK expects Saab to have effective anti-corruption systems in place and that we can maintain a positive dialogue on this work. We also see good opportunities for Saab to use its expertise and technology in the field of sustainable urban development."

Johan Henningson, Head of Sustainability SEK

Customer – Brazilian Air Force

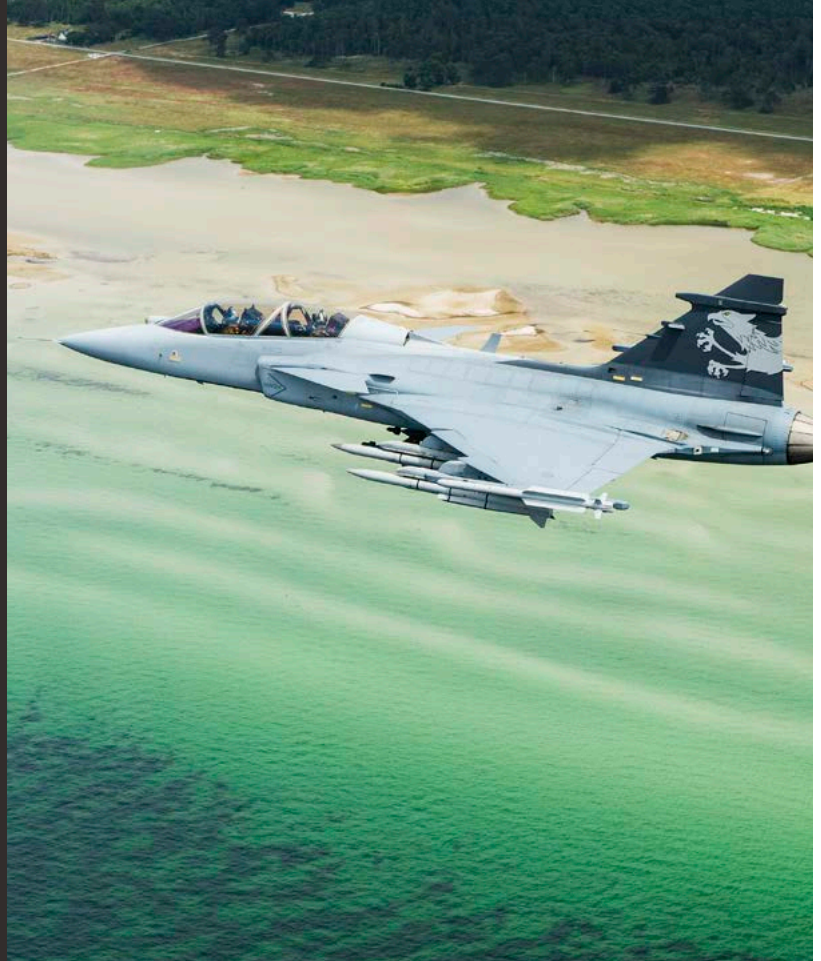
What do you consider especially important for Saab to create value for the Brazilian Air Force as a customer?

"Gripen is a highly complex programme comprising the entire chain from aircraft development to delivery and support. There are many parties involved, and it is very important that all of us live up to and deliver on our part of the contract. This requires open and transparent communication through effective channels. I am very pleased to say that with Saab we have all that."

Are there any sustainability issues where you have higher expectations of Saab?

"We are totally comfortable knowing that Saab has implemented all the relevant and necessary policies throughout its operations and that they are being complied with."

Paulo Rogerio Sobrinho, Gripen Project Manager, Brazilian Air Force



Employee – Australia

Is there anything that is especially important for you to be pleased with Saab as an employer?

"For me it is important to have the freedom to think outside the box when necessary. Doing exactly what everyone else is doing can lead to poorer outcomes and mean falling behind the competition. What I like about Saab is that we keep our eyes and ears open to new perspectives. We appreciate alternative ways of seeing things, because we want to be the best and challenge the unknown. It is a stimulating learning environment where everyone works together."

Are there any sustainability issues where you have higher expectations of Saab?

"I have to know that my employer is ethical and that its values agree with mine, so I am fortunate to work for Saab, whose mission is to create secure societies and individuals. We truly care about local communities. In Australia, we support so many fantastic social initiatives. We know that a safe and healthy environment is critical in order to flourish and that we have to respect it for the benefit of future generations."

Mandy Barlow, Marketing Communications, Saab Australia

Saab's share

Share capital and number of shares

Saab's share capital amounted to SEK 1,746,405,504 on 31 December 2017, comprised of 1,907,123 unlisted Series A shares and 107,243,221 listed Series B shares. Series A shares have ten votes each, while Series B shares have one vote each. The quota value per share is SEK 16. The Series B share is listed on Nasdaq Stockholm's Large Cap list. All Series A shares are owned by Investor AB.

Shares and votes, 31 December 2017

Share class	Number of shares	% of shares	Number of votes	% of votes
Series A	1,907,123	1.7	19,071,230	15.4
Series B	107,243,221	98.3	104,916,659 ¹⁾	84.6
Total	109,150,344	100	123,987,889	100

¹⁾ Number of votes excludes 2,326,562 Series B shares repurchased to secure the Group's Share Matching Plan and Performance Share Plan. The repurchased shares are held as treasury shares.

Source: Modular Finance

Ownership structure

Saab had 41,557 shareholders (36,137) at year-end 2017. Swedish investors accounted for 74.5 per cent (73.7) of the capital stock and 78.0 per cent (77.2) of the votes.

Saab's largest shareholders, 31 December 2017

Owner	Number of shares	% of share capital	% of votes ¹⁾
Investor AB	32,778,098	30.0	40.3
Knut and Alice Wallenberg Foundation	9,590,087	8.8	7.7
Swedbank Robur funds	4,901,334	4.5	4.0
AFA Försäkring	2,425,011	2.2	2.0
Livförsäkringsbolaget Skandia	1,965,641	1.8	1.6
Handelsbanken funds	1,961,295	1.8	1.6
Norges Bank	1,859,716	1.7	1.5
Unionen	1,840,640	1.7	1.5
Alliance Bernstein	1,519,383	1.4	1.2
Fidelity	1,513,600	1.4	1.2
Andra AP-fonden (AP2)	1,244,266	1.1	1.0
Lannebo Fonder	1,100,000	1.0	0.9
Vanguard	1,060,760	1.0	0.9
Gladiator	950,000	0.9	0.8
FAM AB	926,853	0.8	0.7
Subtotal 15 largest shareholders	65,636,684	60.1	66.9
Other Swedish shareholders	21,617,789	19.8	17.3
Other international shareholders	7,045,557	6.5	5.7
Anonymous shareholders	12,523,752	11.5	10.1
Repurchased shares	2,326,562	2.1	-
Total	109,150,344	100	100

¹⁾ % of votes is calculated based on the number of shares, excluding treasury shares, at year-end.

Source: Modular Finance

Distribution of shareholders, 31 December 2017

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of share capital
1–500	36,769	88.5	3,714,701	3.4
501–1,000	2,557	6.2	2,012,555	1.8
1,001–5,000	1,864	4.5	3,645,269	3.3
5,001–10,000	134	0.3	988,430	0.9
10,001–20,000	92	0.2	1,324,371	1.2
20,001–50,000	57	0.1	1,859,704	1.7
50,001–	84	0.2	83,081,562	76.2
Anonymous shareholders			12,523,752	11.5
Summa¹⁾	41,557	100	109,150,344	100

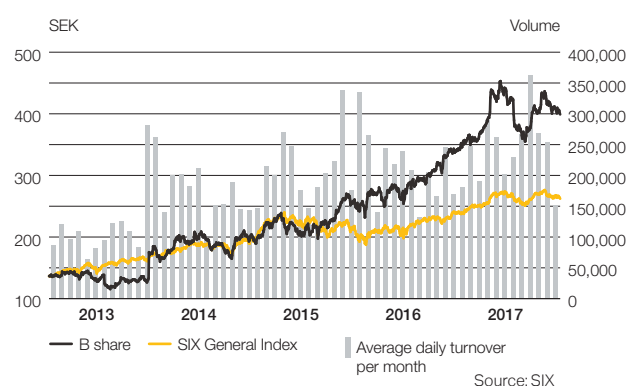
¹⁾ Including 2,326,562 repurchased Series B shares.

Source: Modular Finance

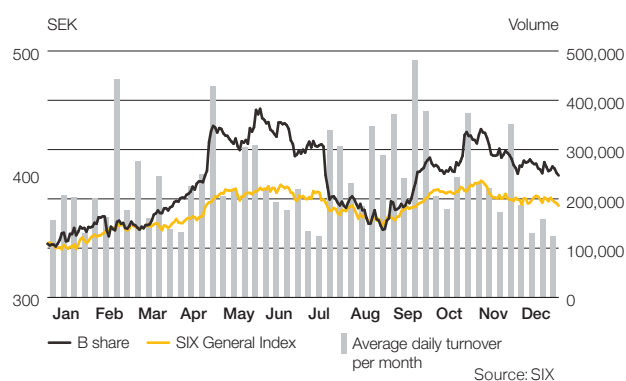
Trading volume and statistics

A total of 60,869,967 of Saab's Series B shares (53,789,976) were traded on Nasdaq Stockholm in 2017, or about 40.3 per cent of Saab's traded Series B shares. On other trading platforms, about 43.1 per cent of Saab's Series B shares were traded on Cboe, 9.1 per cent on London Stock Exchange and about 2.9 per cent on Turquoise. Remaining shares were traded in smaller quantities across a number of different platforms. The share price reached a high of SEK 455.4 on 2 June and a low of SEK 339.6 on 9 January in Nasdaq Stockholm trading.

Saab B, Share price performance in the last five years



Saab B share price performance in 2017



Saab's long-term incentive programme

Since 2007, Saab offers permanent employees the opportunity to participate in a voluntary Share Matching Plan. Purchases are made through salary deductions of 1–5 per cent of the employee's monthly salary, after which Series B shares in Saab are purchased on Nasdaq Stockholm during a twelve-month period. If the employee retains the purchased shares for three years after the investment date and is still employed by the Saab Group, the employee will be allotted a corresponding number of Series B shares free of charge. Since 2008, senior executives and other key persons have had the opportunity to participate in a Performance Share Plan.

The Annual General Meeting held in 2017 resolved in accordance with the Board's proposal to adopt a long-term incentive programme 2017/2018, consisting of a Share Matching Plan 2018, a Performance Share Plan 2018 and a Special Projects Incentive 2017.

For more information on the incentive programme, see the Administration Report on pages 68–69 and note 10.

Authorisation

The Annual General Meeting 2017 also resolved to authorise the Board of Directors to decide to acquire not more than 1,340,000 Saab Series B shares to secure delivery of shares to participants in Saab's long-term Share Matching Plan, Performance Share Plan and Special Projects Incentive for subsequent transfers to cover certain expenses associated with LTI 2017/2018, mainly social security costs. Repurchases may be effected on Nasdaq Stockholm.

Furthermore, the Annual General Meeting 2017 resolved to authorise the Board of Directors to decide to repurchase Saab Series B shares up to a maximum of 10 per cent of all the shares in the company. The purpose of the authorisation is to be able to adapt the company's capital structure and thereby contribute to increased shareholder value as well as to enable continuous use of repurchased shares in connection with potential company acquisitions and for the company's share-based incentive programmes. Repurchases may be effected on Nasdaq Stockholm. During 2017, the Board of Directors did not make any decisions to exercise either of the two repurchase mandates. Both repurchase mandates apply until the Annual General Meeting 2018.

Dividend and dividend policy

Saab's long-term dividend policy is to distribute 20–40 per cent of net income over a business cycle. For the financial year 2017, the Board of Directors proposes a dividend of SEK 5.50 per share (5.25), corresponding to 42 per cent (49) of net income.

Five-year summary

For information on data per share, see www.saabgroup.com.

Analysts who cover Saab

For information on analysts who cover Saab, see www.saabgroup.com.

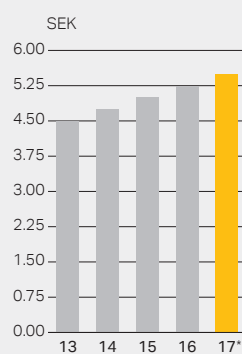
5,903

of Saab's employees joined the Saab Share Matching Plan 2018. Some of them are participating in several share plans.

INVESTOR RELATIONS

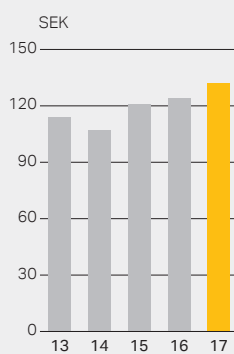
Ann-Sofi Jönsson, Head of Investor Relations
E-mail: ann-sofi.jonsson@saabgroup.com
Phone: +46 8 463 02 14

Dividend per share

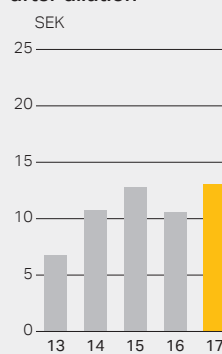


* Board of Directors' proposal.

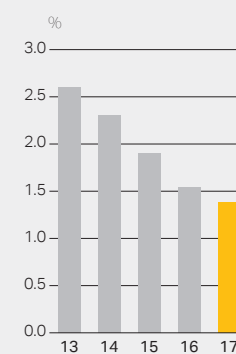
Equity per share



Earnings per share after dilution



Yield at year-end



* Calculated on a SEK 5.50 dividend.

Market

The market we are active in, both nationally and internationally, is changing rapidly, and we have to act faster to stay a step ahead. Our focus is on areas where we have a strong market position and on further strengthening our position in areas with good growth opportunities. Our global presence and diversity are further developed through partnerships and local cooperations, and we work actively to promote a thoroughly open and transparent market.

55%

of order bookings
outside Sweden

18%

of our employees
outside Sweden

63%

of the order backlog
outside Sweden

10%

organic sales growth



/24

Defence and security market

/26

Stronger local presence

/27

Zero tolerance for corruption

Defence and security market

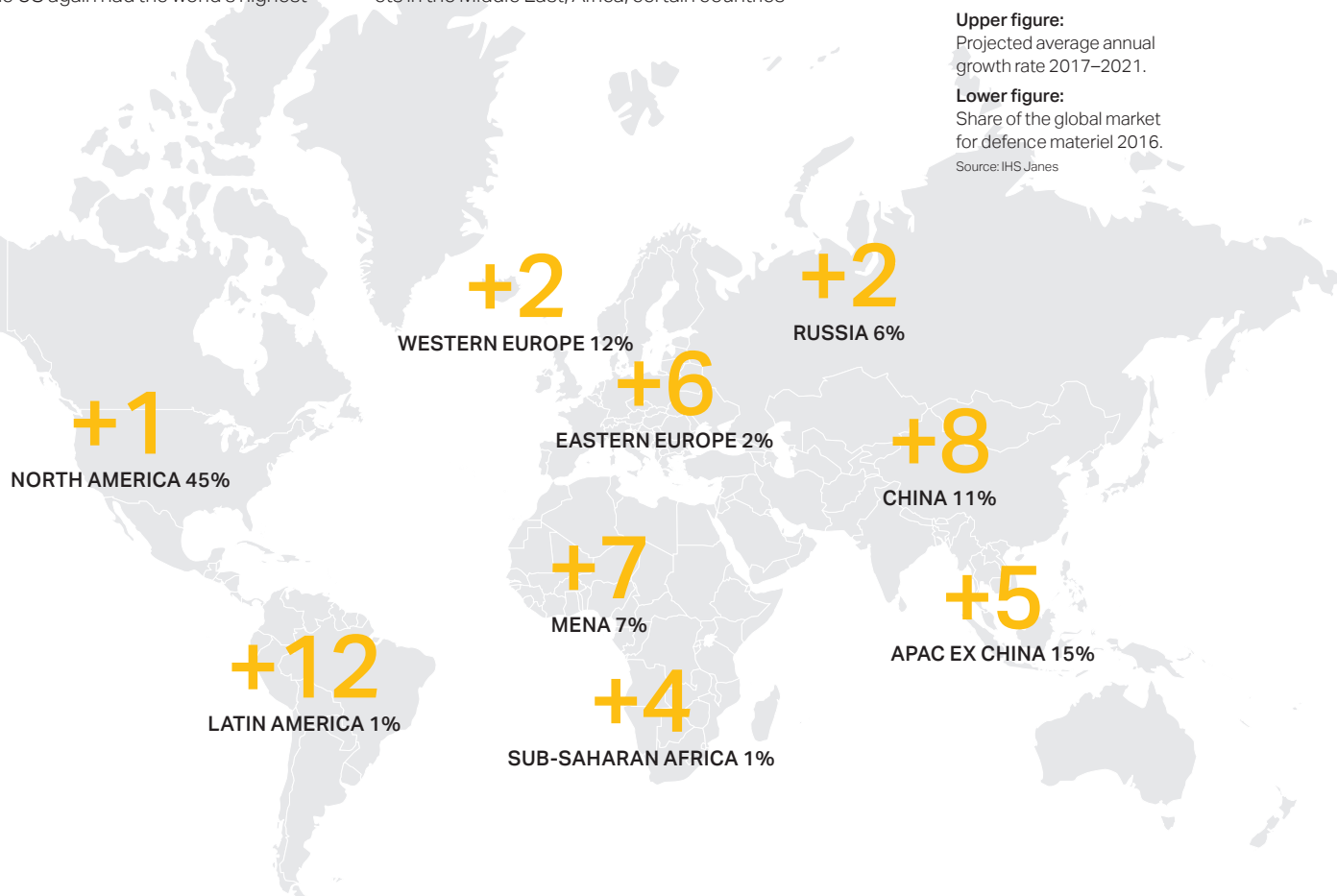
Growing geopolitical concerns have been affecting the defence and security market for several years. At the same time, technological developments are leading to new solutions and systems. Capabilities in these systems and solutions affect and reshape how nations and organisations ensure their defence and security. Saab is carefully following market developments.

Defence market

Global defence spending increased for the second consecutive year in 2016 (Source: Stockholm International Peace Research Institute, SIPRI). In North America, it rose for the first time in many years, and in Western Europe it increased for the second year in a row. In 2016, the US again had the world's highest

defence spending, while China spent the second most. Russia, Saudi Arabia and India also made the list of the top five countries. The largest spending increase during the year was in India at 8.5 per cent. Saudi Arabia, on the other hand, reduced its spending by 30 per cent, driven by lower oil prices. Defence budgets in the Middle East, Africa, certain countries

in Latin America and Russia are expected to remain under pressure from lower oil prices. In Asia and Eastern Europe, growth is expected to remain firm, and in Western Europe and North America defence budgets are expected to continue to rise.



Commercial Aeronautics

The market for commercial aeronautics is growing by about five per cent a year. A strong driver is the fact that an increasing share of the global population can afford to fly. Other drivers include developments that reduce fuel consumption, e.g. wing designs, and technologies that cut production costs, as well as smart materials such as structures with embedded functions. Saab is a subcontractor to the leading aircraft manufacturers.

Security and traffic management

The overall market for civil security is extensive. Saab is mainly active in traffic management systems for air, land and sea as well as security systems for critical infrastructure such as prisons and emergency services. Annual growth in traffic management systems is estimated at five per cent, and the market for critical infrastructure is growing by about eight per cent a year. The main drivers of the market are increased security needs and the expansion and modernisation of critical infrastructure.

Technical consulting services

Combitech is an independent technical consultancy within Saab AB. Combitech is mainly active in the Nordic market for technical consulting services. The market has grown strongly in recent years, driven by demand for cutting-edge expertise and technical know-how combined with the industry expertise to create new solutions that address both environmental and security concerns. Combitech's services include information security, systems integration, communications, mechanics, systems security, systems development, technical product information and logistics.

Another step in the long-term partnership between Saab and Brazil

After two years of focusing on the technology transfer programme for the Gripen's development, Saab is now adding manufacturing in Brazil to ensure continuity of the Gripen programme in the country, create new jobs and support the development of the local defence industry.

The municipality of São Bernardo do Campo in São Paulo state has been selected as the location for Saab Aeronáutica Montagens, a factory that will supply parts to the Gripen purchased by the Brazilian Air Force.

The managing director of the facility is Marcelo Lima, an engineer with more than 23 years of experience in implementing and managing manufacturing operations in the automotive, energy and other industries.

"Marcelo Lima is a highly-experienced professional with deep expertise in projects similar to our new plant. He will add local and international knowledge to this project, which is vital to the Gripen programme," says Mikael Franzén, Head of business unit Gripen Brazil, within business area Aeronautics.

The factory will be responsible for producing aerostructures, such as the tail cone, airbrake, wingbox, front fuselage (for both one- and two-seat versions) and rear fuselage of the Gripen to the Brazilian Air Force. Operations will start after the site infrastructure has been prepared.

"The investment in the new plant is another step in the long-term partnership between Saab and Brazil," adds Franzén. "The first two years focused on the development of the aircraft and launch of the technology transfer programme. As planned, we are now adding manufacturing in Brazil to ensure continuity of the Gripen programme in the country, create new jobs and support the development of the local defence industry."

Initially, there will be 55 employees, a number expected to grow in coming years. The recruitment process has already begun. After the selection process, some employees will be trained at Saab's facilities in Linköping. The training begins in January 2018 and will last up to 24 months. After returning to Brazil, they will be ready to start working at the plant in São Bernardo do Campo.



» As planned, we are now adding manufacturing in Brazil to support the continuity of the Gripen programme in the country, create new jobs and support the development of the local defence industry. «

Mikael Franzén, Head of business unit Gripen Brazil

Stronger local presence provides greater insight

In an increasingly complex market, a local presence and greater business orientation are critical to win more strategically important deals. Saab's stronger local presence creates more opportunities to offer the right combination of products and solutions.

We continuously develop and evaluate our offerings to increase growth opportunities in various markets around the world. Through our strong base in Sweden and local presence in over 30 countries, we ensure close contact with our customers.

In an increasingly complex market, a local presence and greater business orientation are critical to win strategically important deals, whether for military or civil security solutions. Since 2013, Saab's market organisation is divided into five market areas: Europe, North America, Latin America, Middle East & Africa and Asia Pacific. This organisation has strengthened Saab's local presence in selected key markets. We concentrate our investments in markets where we already have a strong position and in areas with good growth opportunities.

For customers, it means access to more specialised expertise, while Saab gains better insight into the market. Efficiency in the marketing and sales process has improved through fewer redundancies and a clearer distribution of work. Now we work more closely with customers and are better able to offer the right combination of products and solutions.

Local presence generates small and medium-sized orders

For Saab, it is important to have a steady inflow of small and medium-sized orders. They can be turned over and delivered to the customer faster than larger, more complex orders, and as a result can be converted faster to revenue. In many of these projects, payment is received upon delivery. Operating income in busi-

nesses with smaller orders is fairly evenly distributed over time, while profitability in large projects typically rises as a larger share of the order is delivered and the risks decline.

During the year, medium-sized orders increased which is very positive since we have maintained a local focus for some time in our various markets to grow the base where we are active.

We grow through cooperations and knowledge transfers

Industrial cooperations are an important element in Saab's international growth. When Saab signs large defence contracts, they usually contain more than just a product sale. Many countries also want technology and skills transfers as well as various forms of industrial cooperation. Through customised offerings, Saab has contributed together with its partners to several successful projects that affect the country's economy in a positive direction.

For Saab, there are benefits to spreading knowledge through technology transfers. People from different companies and organisations meet and come up with new business ideas that create value for all the parties involved. This many times generates new business. In connection with the Gripen contract with Brazil, Saab is bringing around 350 Brazilian engineers to Sweden over a period of years to learn how to build fighter aircraft.

To date, 110 engineers have completed their training and returned to Brazil to implement the work package for Gripen at the new Gripen Design and Development Network (GDDN). Around 100 Brazilian development

engineers are on site together with around 20 expats from Saab. The dialogue on site in both countries is improving deliveries and broadening our competence.

In addition to industrial cooperations that customers demand as part of large deals, Saab naturally participates in a number of other collaborations, including close development partnerships with customers and suppliers. Saab also contributes to broad-based innovation partnerships between industry, academia and the public sector. These partnerships expand Saab's knowledge base while at the same time strengthening relationships with customers and gives greater insight and possibilities to develop technology and solutions that meet their needs.



Europe is Saab's engine

"Europe is Saab's native market. This has been evident in year-on-year order intake and 2017 was no exception. Although we are successful in winning business throughout the world, often far away from Europe, the European market, and the Swedish market in particular, is still the engine that drives Saab. As we grow in Europe we must look inward at Sweden and outward at countries like Australia to understand how to grow. The lesson is that our opportunities for growth are strongest where we have become embedded both in the local society and the industrial landscape. In other words in countries where we provide employment, technical know-how and security of supply."

Magnus Lewis Olsson, Head of Market Area Europe

Zero tolerance for corruption

Saab is a long-term, reliable business partner and promotes an open and transparent market. Corruption has negative consequences for society and business and is something Saab can never accept. We are guided by our fundamental values, the Code of Conduct, current laws, industry codes of conduct and clearly defined internal processes to prevent corruption risks.

Strict scrutiny of marketing consultants

Prior to each deal, we perform a corruption risk analysis. If the risks that are identified cannot be minimised and managed satisfactorily, we will withdraw from the deal.

To gain entry to new markets, multinational companies often hire marketing consultants and other partners in the selling process. Saab does as well. This can help us to understand how a market works, but can also mean increased exposure to corruption risks. We therefore apply a strict process in which cooperations with marketing consultants and other partners in the selling process are evaluated and approved by a central function at Saab that handles all such relationships. These partners also have to undergo special training and pledge to abide Saab's ethical values and guidelines. The contracts contain specific commitments with regard to business ethics and permit continuous monitoring of the partners through reporting requirements and audit rights. During the year, Saab worked together with an outside law firm to draft guidelines and further develop a model to set and motivate compensation for marketing consultants in major deals. We also began to implement a stronger process for assessing corruption risks in contracts with other than marketing consultants and third parties, including all sales cooperations, offset-related contracts and joint ventures.



Andy Keough,
Managing Director at Saab Australia

Strong platform in Australia

"Saab's commitment to Australia generated a number of significant deals in 2017, which allows us to plan for further expansion. We carved out a unique position as the supplier of the combat management system for the Royal Australian Navy, signed contracts with Australia's largest prison and entered a number of new markets in hospital and police security. Taken together, we now have a strong platform that allows us to recruit more locally and also explore new areas in cybersecurity, healthcare and mining."

Training is an important tool

Continuous employee training is an important tool to minimise risks. In addition to training on the Code of Conduct, all employees receive separate, web-based anti-corruption training. Employees in positions at particular risk, such as marketing and sales, industrial cooperations and project management, also receive in-depth classroom training. Every three years the Board of Directors receives extensive anti-corruption training.

Employees who become aware of or suspect non-compliance with laws or Saab's Code of Conduct are expected to report this through our whistleblowing system, which is administered by an external party.

Defence exports are a big responsibility

For Saab, it is essential to ensure that the company complies with regulations on export controls. This is critical in order to maintain trust in the business.

The UN Charter establishes that every country has the right – and obligation – to protect its citizens against acts of aggression. A military defence is the ultimate expression of this. For Sweden, a domestic defence industry is an important component in its defence capabilities, allowing it to be independent and participate in international collaborations in defence technology. Without the ability to sell to and cooperate with other countries,

Sweden could not maintain its technological expertise and defence capabilities. At the same time, exporting defence materiel carries with it a great responsibility and is therefore governed by strict rules. Saab has built up a dedicated organisation, Group-wide policies and tools to facilitate compliance with the export controls that apply to the company's products and operations.

What we sell to whom

The large part of Saab's exports is from Sweden, where the Swedish Agency for Non-Proliferation and Export Controls (ISP) determines on behalf of the government which defence products Saab may sell to which countries. The export of defence materiel requires a permit from the competent authority. Such permits can be issued if there are security and defence policy reasons for the export and it is consistent with Swedish foreign policy interests. Decisions on export permits are made on a case-by-case basis where ISP weighs a number of criteria in a comprehensive assessment. ISP also takes into account the type of product involved.

Performance

In a world of constant change and fierce competition, high efficiency and shorter lead times are essential in order to meet customer demands with technology and solutions that make them even better and increase profitability. We have to be able to deliver more for less, which is why increasing efficiency is a continuous process. The focus is on improving functional processes, developing leaders and employees, and implementing an even more business-oriented culture.

6.9% 26%

Operating margin

GHG emissions were reduced by
26 per cent as related to sales from 2007

32.2%

Equity/assets ratio



/31

Digitisation

/32

Business-oriented culture

/33

Sustainable solutions for the future

Faster, smarter, more secure and updated

Digitisation and improving performance are two themes that touch every part of Saab's operations. One example is the digital transformation within Human Resources that Saab is undergoing around the world. That will lead to, among other things, more efficient routines and provide a better overview of our workforce.

The principal aim is to create modern, more uniform system support with standardised HR processes for recruiting, performance reviews, talent identification, skills training and handling personal data.

"Instead of every country having its own system solutions and processes, we are developing HR processes that work for the whole Group," says Helena Sollenberg, VP, Head of HR Operations.

With a flow-based digital routine and modern system solution, information can be automatically transferred between HR processes. Efficiency is improved by avoiding redundancies and unnecessary integrations between different systems.

The new HR system also provides a better overview and status report on the number of employees, number of open positions, employee turnover and how long a recruitment takes, and eventually will serve as a talent database for the entire company.

"Access to this source of information and constantly updated data makes it easier to analyse HR events and make well-informed decisions," adds Helena Sollenberg.

» Instead of every country having its own system solutions and processes, we are developing HR processes that work for the whole Group. «



Helena Sollenberg,
VP, Head of HR Operations

It is a big project to implement a comprehensive system solution. Preparations have been underway since 2016 and the plan is for a global rollout in early 2019. The HR departments in all large countries have been comparing progress and finding shared processes that work for everyone.

For employees, the new system provides access to their records and allows them to update certain information through a self-service interface.



More efficient processes – a key to further growth

In 2017, Saab improved its operating margin. Reaching the long-term financial goal while ensuring continued growth and extensive investment in new product development will require not only a focus on getting deals done and customer benefit, but also on continuously improving our performance.

Saab is working continuously to refine processes at various levels and operate more efficiently. Major efforts were made in 2017 to standardise a number of processes, which will create a more consistent way of working that requires less resources and produces faster and more convenient decision-making flows. The focus is on eliminating what isn't needed, improving performance, listening to and learning from each other, and sharing experiences and skills.

Digitisation and automation

Technological developments, digitisation and artificial intelligence play a critical role in the efforts we are making to work more efficiently and smarter. Various programmes are being used at the Group level to find administrative efficiencies through standardisation and automation. On this count, different parts of the organisation have made different degrees of progress.

In product development, it is essentially a question of separating software from hardware. Saab's systems are becoming more complex, with each new generation using more software. Verifying safety-critical software is a classic bottleneck that can lead to develop-

ment delays. With Gripen, Saab has fully separated the safety-critical part of the software, resulting in much shorter development times and allowing for more flexible development of new tactical functions without sacrificing safety. In research and development on the next generation of products and concepts, this is happening in areas such as software development and artificial intelligence, where new, smarter systems can process huge amounts of data to facilitate better decision-making and increase our customers' capabilities.

Focus on information and IT security

In an increasingly uncertain world with growing cybersecurity challenges, it is important to address information and IT security proactively. In 2017, we continued the gradual implementation of Saab Security's information and IT security strategy, in part by strengthening the organisation by adding further resources in information security, improving information on the intranet and providing training for employees, since their conduct is the most important protection. In addition, we continued to develop technological solutions and conducted audits of our IT systems.

Suppliers are an extension of our own operations

Saab in most cases has close, long-term relationships with its suppliers, which is vital in order to provide customers with the world-class products. We see our suppliers as an extension of our own operations and require that they take the same social and environmental responsibility we do. Systematic measures to ensure that responsibility is being taken in the supply chain not only minimises risks, but also leads to improvements in the quality of the products we buy. Our supplier code of conduct, which is based on the UN Global Compact's principles, is included in all new agreements and contracts that are renegotiated. In the code we express an expectation that suppliers will play similar demands on their subcontractors. In 2018, we plan to recruit a person to work with responsible procurement and add expertise in this area.

Saab and Atlas Copco in cooperation to develop safe digital mining solutions

During the autumn, the independent subsidiary Combitech, was selected digitisation partner to Atlas Copco. Experience and technical platforms from Saab were crucial, as well as Combitech's experience from digitisation projects of aerospace, defence and telecommunications.

Rationalising mining operations not only result in substantial savings and productivity improvements; it also ensures greater security for Atlas Copco's customers. The new collaboration includes digitisation efforts related to autonomous mining control tower, cyber security and ecosystem solutions.

The collaboration will build upon Saab's technical platforms and on the working methods and experience gained in the course of digitising the Gripen E fighter aircraft – an effort that cut development time in half while radically reducing costs.

During the year, Combitech has intensified its efforts regarding digitisation in industry, which is now paying off.

– The fact that a world-leading Swedish industrial company has chosen us to be its digitisation partner feels like a real acknowledgment. The collaboration with Atlas Copco is an important step toward achieving our goal of becoming a knowledge hub for the digitisation of Swedish industry," says Combitech's Deputy CEO, Lars Ydreskog, who is in charge of digitisation at the company.

– Saab's and Combitech's total expertise in digitised development is very attractive for industry. This knowledge in combination with Combitech's leading position in Cyber Security creates a strong offer to the market.

The cooperation already started and during the autumn Combitech will build a demo of a subsystem in an autonomous mine, a proof of concept. The demo will be followed by several increments during the spring that will finally lead to a future digitised mine. Robert Raschberger is the project manager. Discussion of similar digital partnerships with other Swedish industrial companies are ongoing.

Develop a business-oriented and performance-based culture

The skills of our employees are important to Saab's ability to meet its business objectives. For each employee to have an opportunity to maximise their potential and contribute to these objectives requires competent leaders. Our aim is to develop an even more business-oriented and performance-based culture, where internationalisation to create opportunities for cooperation and understanding between countries is an important

element. Saab offers various forms of skills and leadership training. Some training is mandatory for all employees and is provided flexibly and cost efficiently through e-training. The biggest and most important part of an employee's development, however, takes place in day-to-day interactions with colleagues with whom they share knowledge.

Employees should clearly understand their expectations. Individual Performance Management (IPM) reviews are an important tool where each employee and their supervisor

together set personal goals tied to the company's overarching business objectives.

A prerequisite for higher performance is that Saab offers a safe, secure and healthy place of work. During the year, Saab began to adapt its processes to the occupational health and safety standard ISO 45001 and to create a global process. This work will be completed in 2018.

Knowledge transfers an important part of working more efficiently

When a contract is signed, it signals the start of a series of activities. A very important link in the chain from contract to delivery are Saab's production units, which are responsible for quality and delivering on time.

While we obviously take advantage of the improvement potential that technological developments offer, a large part of improving performance and building skills is done on a daily basis, in collaborations and knowledge sharing between colleagues.

Kalevi Ristolainen and Maddelejn  Hou work in production in G teborg. Kalevi has 32 years on the job, Maddelejn  has one. With his long experience, Kalevi knows that perhaps the most important thing he does is share his knowledge with Maddelejn  and other new colleagues. In this case what he knows about the transmitter-receiver unit in Saab's airborne surveillance system ERIEYE. Which is something of a bigger challenge for Kalevi than for others.

"My being deaf sometimes makes new colleagues a little tentative. It takes patience. It's a little harder when I have to teach. There's a lot of showing, pointing and writing, but I think it works."

That it works, and works well, is something Maddelejn  Hou can attest to. It is Kalevi's commitment and knowledge she has learned the most from. "I have taken some basic courses and done some reading, but what I

have learned from a purely technical standpoint is what Kalevi and my other colleagues have taught me. Always focus on delivering on time and quality. Just do one thing at a time, but do it faster."

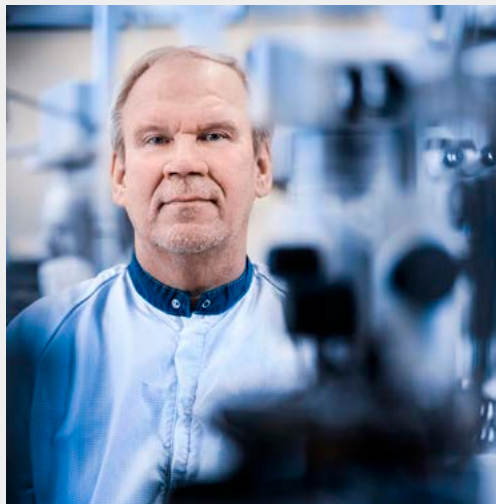
Each little part in a unit requires skill, and it takes several years to learn all the parts in the transmitter-receiver unit. But Kalevi is the mentor in his area and he is proud of his professional skills and the improvements he and his colleagues are consistently focused on.

"The best thing about this job is working together with my colleagues to see how we can improve our flow while maintaining quality. And I think we've succeeded. It used to take 22–23 hours to produce our part of the transmitter-receiver unit, now it takes 16–17

hours. That's a pretty good improvement if you ask me."

Kalevi still has a few years to go before retiring. There are always new challenges and new colleagues to teach and learn from, and the focus is always on the customer.

"I am always thinking about how we can shorten delivery times without sacrificing quality. If we don't keep to schedule, it affects the next link in the chain and has consequences. The customer should get what they ordered on time and with the right quality. It's as simple as that."



Sustainable solutions for the future

A systematic approach to reducing environmental impacts is critical to Saab's competitiveness and survival. In keeping with the Paris Accord (COP 21), Saab wants to limit global warming to less than 2° Celsius. Our goal is to reduce GHG emissions by at least 20 per cent as related to sales from 2007 to 2020. At year-end 2017, we had reduced them 26 per cent. Fulfilling the climate target depends not only on actual greenhouse gas emissions, but also on annual sales and district heating suppliers' fuel mixes.

During the year, we took a number of measures, including using space more efficiently, installing energy-efficient lighting and solar panels, and capturing surplus heat. The large share of Saab's direct CO₂ emissions comes from business travel. As the business becomes more international, it becomes more important to find a balance between the need to travel and the impact on the climate. We try in various ways to travel as efficiently as possible, including by encouraging the use of online meetings.

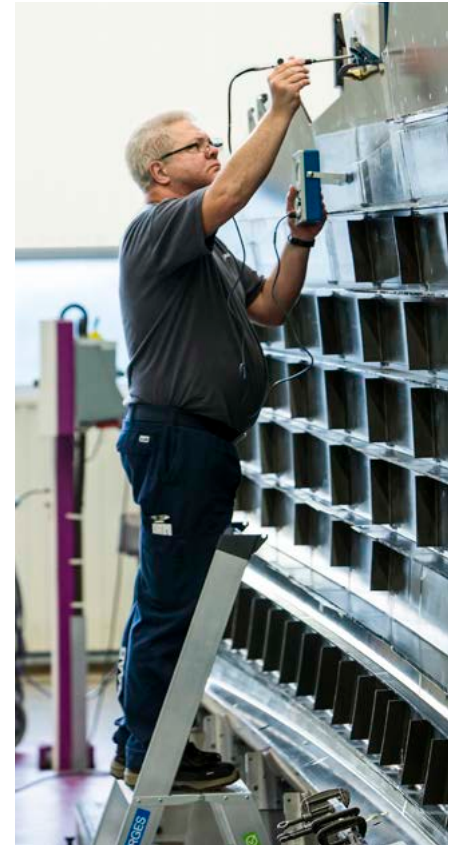
Since 2006, Saab has been reporting greenhouse gas emissions to the Carbon Disclosure Project (CDP), an independent organisation that collects climate data. Saab received a grade of A-. For more information on CDP and Saab's complete report, see www.cdp.net.

Phase out hazardous chemical substances

Certain chemicals that Saab uses in its operations are associated with risk to people and the environment and may be regulated by authorities and customers. We are very active in international organisations that, among other things, are devising industry-wide alternatives to hazardous chemical substances.

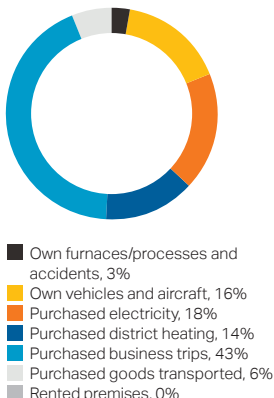
Research and development collaborations

An important part of Saab's efforts to reduce environmental impacts are the research and development collaborations that are working to create sustainable solutions for the future. For example, Saab is one of the main suppliers to Clean Sky, Europe's largest research programme dedicated to reducing aircraft emissions. We have contributed an innovative aircraft wing that reduces wind resistance with laminar flow to cut fuel consumption.

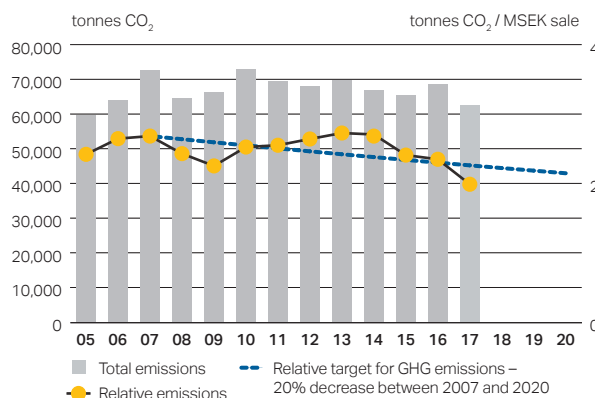


Conny Einarsson in the production of an innovative aircraft wing for Clean Sky, Europe's largest research programme.

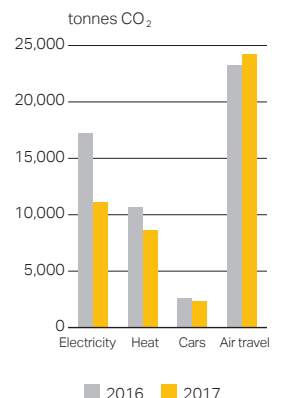
Carbon dioxide emissions from various sources within Saab



Greenhouse gas emissions within Saab



Yearly comparison of various emission sources in Saab's facilities



Fulfilling the climate target depends not only on actual greenhouse gas emissions, but also on annual sales and district heating suppliers' fuel mixes.

Innovation

We have been shaped by fierce competition and strict requirements on low product lifecycle costs. We know what is needed and how to get there: the latest technology, the smartest solutions and the newest innovations. Our competent and engaged employees are the key, and we believe that diversity drives innovation.

23%

of sales invested in R&D

36

PhD candidates during the year

23%

women globally

25%

female managers globally



/37

On the forefront of technology

/38

Innovation partnerships

/39

Attract and retain talent

Breaking the thought barrier – challenging the unknown

What will happen in 15–20 years? How does Saab develop new technology – to stay a step ahead and avoid, tackle and protect our society against future threats? Today's generation of modern product portfolios is built on long-term preparations made years ago.

Right now a generational shift is underway in AESA (active electronically steered array) radar. This is the product of long-term research and processes that sometimes take up to 20 years from idea to finished product. In other words, the foundation of what is being sold today was laid back in the '90s. Radar and electronic self-protection systems are strategically important to Saab, and each year significant investments are made in research and development. The research has to be spread across a number of areas, from hardware such as semiconductors and antennas to software such as signal processing algorithms and a decision-making support.

"When Saab looks at future needs and wants, we do it from various perspectives and types of information, including what our customers think and what the technology and its possibilities mean for the future," says Fredrik Wising, PhD in nuclear plasma fusion and working with business development and strategy within business area Surveillance. "Before we worked almost exclusively on behalf of the Swedish defence, but as its spending was reduced we have been forced in a positive way to define the systems that custom-

ers need. This requires long-term relationships, collaborations and input from customers, defence academies and think tanks around the world. In combination with our own analyses, plans and scenarios, we now have the foundation to develop the next generation sensor concept. Today research is being done in areas such as algorithms, software development and AI, where new, smarter systems can collect vast amounts of data, make more accurate analyses and draw conclusions that provide better decision-making support."

"The old parabolic antennas could only see in one direction and had to be turned to pick up signals in other directions," he continues. "The new generation of antennas can look in every direction at the same time, in real time. They are also multi-functional and adaptable and allow the customer to monitor the entire area and prioritise targets. In addition, they can be upgraded with new software in just a minute."

Saab's broad range of products under one roof creates synergies, reuse opportunities, higher efficiency, better performance and faster speed to market, a unique competitive advantage.

"Take, for example, our world-leading ability to produce exceptionally pure microwaves. This is critical in order to spot targets in complex environments, and we have been able to invest what we needed because it is so important to all our products. This is why our radar systems were able to warn of incoming terrorist rocket attacks in Afghanistan, saving the lives of a large number of soldiers."

The competitiveness of the product portfolio is also exemplified by the fact that Saab was one of the first to introduce gallium nitride (GaN) in military radar and electronic self-protection systems, an area it has been researching since the late '90s and has won a prestigious award for.

The technology offers longer reach and better robustness for fighter radar, airborne surveillance radar (GlobalEye) and the new surface radar family (GIRAFFE). It is also critical for the antennas on the advanced self-protection system in Gripen E.

"We still see strong demand for the updated versions of technology that was developed in the '90s, and we have many years to come with the new generation of sensors," says Fredrik Wising. "At the same time, we are researching today what will come in 10 to 20 years."

» We still see strong demand for the updated versions of technology that was developed in the '90s, and we have many years to come with the new generation of sensors," says Fredrik Wising. At the same time, we are researching today what will come in 10 to 20 years. «

Fredrik Wising, PhD, Nuclear Plasma Fusion, Business development and Strategy, Surveillance.



Innovative and cost efficient solutions for the future

Saab's high-tech operations play an important role in driving technological development in society for the benefit of economic growth, security and sustainability. Saab's advanced product development generates knowledge, technological solutions and innovations for the future.

Changing threat scenarios, combined with rapid technological developments, require us to continuously challenge, question and develop new innovations. Saab therefore invests about a quarter of annual sales in research and development. The strategy is to concentrate R&D investments in five core areas: aeronautics, advanced weapon systems, command and control systems, sensors and underwater systems, with training and support as integral parts. We invest in areas where we are, or can be, a market or technology leader.

From complete platforms such as the Gripen fighter, the A26 submarine and the Erieye radar to systems such as Carl-Gustaf,

RBS70 and our extensive radar family, we strengthen our customers' capabilities. Saab is also a pioneer in the integration of complex systems such as GlobalEye. The airborne early warning and control system (AEW&C) builds on our expertise in a number of areas including radar, command, control and communication systems, aircraft integration, signals intelligence and self-protection. There are few suppliers in the world that can deliver this type of advanced system.

As our customer base changes, we continue to expand our civilian portfolio. Through innovations and acquisitions, we can offer competitive systems in civil security. Our technologies are used in airports, prisons and hos-

pitals, seaports and cities, and to protect major events such as presidential visits and the Olympic Games.

SAFE, Remote Tower, TactiCall, OneView and Aerobahn are examples of products that protect borders and flows of people and goods. Today no less than 50 per cent of all operators of air traffic control systems use Saab's solutions. These systems help customers reduce their costs as well as CO₂ emissions. We also collaborate with leading commercial aviation manufacturers such as Boeing and Airbus to develop advanced lightweight structures for more fuel-efficient aircraft.

FIVE CORE AREAS



1. Aeronautics

Development of advanced military and civil aviation technology, including the Gripen combat aircraft system.

2. Advanced weapon systems

Anti-tank weapons, missiles and ammunition as well as integrated command and control systems and network solutions.

3. Command and control systems

Systems to control and coordinate military operations as well as traffic management on land, at sea and in the air.

4. Sensors

Airborne early warning and control systems, air defence, surveillance and surface-based air defence.

5. Underwater systems

The A26 submarine and autonomous vehicles as well as underwater detection, weapon, self-protection and communication systems.

Cooperations and partnerships build the foundation

Through partnerships and cooperations we develop innovative solutions for both civil and military applications that create value for us, our customers and society. The partnership with Boeing to develop a candidate for the US Air Force's future fighter pilot training system is a good example of a close collaboration that at the same time benefits two innovative companies. Another important factor for Saab's innovative capabilities are our cooper-

ations with universities and think tanks. To compete in key markets, we have to strengthen our global presence, which enables us to work with local companies and participate in tenders that require local research and development.

We are shifting from tech- to customer-driven product development, which requires us to be more systematic in our innovation. To succeed, we have to be better at predicting our customers' future needs, which we can only do by being close to the market. Today we

have an established presence on every continent.

Saab also builds relationships through a global innovation programme. We bring our way of doing research and development in Sweden to new markets by building relationships with universities, companies and the public sector. Primarily the programme is designed for countries where Saab wants to establish a long-term presence.

Research and innovation centre with Brazil Saab is one of the founders of the Swedish-Brazilian Research and Innovation Centre CISB.

Its mission is to identify and support research and development in advanced technology primarily in the areas of the environment, defence and transportation. The organisation has 17 members and over 100 partners. Many potential customers want access to the technology and capabilities Saab can offer. At the same time, Saab has the opportunity to take part at an early stage in customer projects.



Jovice Ng Boon Sing leads the research collaboration with Nanyang Technological University in Singapore. The cooperation focuses on digitisation and is an important step to ensure that Saab maintains its leading position in the field.

University partnerships

An important factor for Saab's innovative capabilities are its partnerships with universities. Currently, Saab mainly works with KTH Royal Institute of Technology in Stockholm, the Institute of Technology at Linköping University, Chalmers University of Technology in Göteborg, the Swedish Defence University in Stockholm, Aalto University in Esbo, Finland, and Nanyang Technological University in Singapore. Among other things, Saab employees have the opportunity to do research for a PhD, while researchers and students from the schools can get involved in Saab's work. Saab currently has 36 doctoral students.

Innovation contest

To encourage innovation within the company, Saab annually arranges an innovation contest for all employees. Participants who qualify receive the support of innovation coaches every step of the way. The selected ideas are then evaluated by members of the management team, who name winners and provide them with the resources they need to drive their projects.



South Africa leads the way in diversity work

Saab in South Africa has initiated several projects aimed at people who are having difficulty entering the job market, including development programmes to help young people find a job. The projects align with the government's action plan to overcome social and economic imbalances in South Africa.

Naome Sithole is a member of the transformation team that is promoting diversity and inclusiveness at Saab in South Africa.



Gender equality and diversity drive innovation

We at Saab have a firm belief, which is supported by research, that the different perspectives diversity brings to the organisation are a source of innovation. For us, diversity means respecting the equality of every human being regardless, for example, of age, gender, sexual orientation, religion, disability or ethnicity. It is also a question of mixing people with different experiences and educational backgrounds. All those who work with recruiting receive training in diversity issues, and diversity is also a

parameter in leadership training and the global recruitment process. It is important that all employees realise the importance of diversity and appreciate every individual's unique contribution to the company.

Gender equality is an important issue, and much of our focus is on increasing the share of women in management positions. The goal is to increase the share of female managers to 30 per cent globally and 35 per cent in Sweden by 2025. At the end of 2017, women accounted for 25.2 per cent of our managers globally and 28.4 per cent in Sweden. We are

also working to increase interest in engineering and familiarity with Saab among women in order to broaden the recruiting base over time. One example is our partnership with the Swedish Equestrian Federation to build awareness of Saab among young women.

To help people with a foreign background enter the job market and create a fast track for those with the right education, we work with various initiatives such as Äntligen arbete ("A Job At Last"), the Stockholm School of Economics' Rapid Acceleration Management Programme (RAMP) and Novare Potential.



Better education for Indian children

Saab started partnering during the year with the Indian learning organisation Pratham, which is working to ensure that children not only attend school but also develop. The work is a collaboration with the national government, local communities, parents, teachers and volunteers. Thanks to contributions from Saab and a number of other Swedish companies, Pratham will be able to reach out to 30,000 children in Assam, a state in northeastern India, over a three-year period.



Saab Technical High School

Saab Technical High School is a national, three-year programme Saab runs in cooperation with Vasagymnasiet and the municipality of Arboga. Saab employees serve as teachers and technical advisors in certain areas. Saab is also responsible for study visits, language studies abroad, traineeships and summer jobs. This helps to expand the base of employable engineering graduates.

Attract and retain employees

To be even more competitive in the future, it is important that we stay on the forefront of technology and that we lead and organise in a way that encourages innovation. To do so, we have to be able to retain and develop our employees and attract new talent. Employee engagement is therefore measured through periodic surveys, the results of which serve as the basis for a dialogue between employees and their managers.

Saab encourages primary and secondary

school students to pursue a higher education by demonstrating the opportunities they can find in mathematics, technology and research. At the university level, the focus is on positioning Saab as an employer of choice. In Universum's ranking of Swedish engineering students' favourite places to work, Saab came in sixth.

Social engagement

Saab's culture and the pride over being part of the company is strengthened by giving

employees the opportunity to try new things outside work. The focus of Saab's social engagement is on promoting education and an interest in technology, which is done as far as possible with the involvement of our employees. They serve, for example, as math tutors, teachers and class mentors, and raise money for schools and orphanages near Saab's operations in South Africa and Kenya.

Sustainability management

The Board of Directors adopts the Group's Code of Conduct and sustainability reports. The Corporate Responsibility Council proposes priorities to Group Management. The Council is comprised of representatives from Saab's Group Management and is led by the Executive Vice President, who is responsible for sustainability issues in Group Management. Saab's Corporate Responsibility function coordinates sustainability work within the Group. For each priority sustainability issue a person is appointed each year to gather information within their area and report goals and results.

Zero tolerance for corruption

The Board of Directors is responsible, through the Audit Committee, for overseeing the Code of Conduct and has ultimate responsibility for monitoring and evaluating business ethics. The Ethics and Compliance Board leads and draws up guidelines for this work, makes decisions on ethical issues and follows up whistleblowing cases. The board meets at least eight times a year and is led by Saab's General Counsel, who reports to the Board of Directors' Audit Committee. Two other important functions are Ethics and Compliance, which is responsible for monitoring, coordinating and developing efforts to prevent corruption and provides expertise in this area, and Market Network Management, which, in collaboration with the marketing and product functions, oversees the entire process of hiring marketing consultants and other third parties.

Reduce environmental impact

Responsibility for Saab's strategic development and environmental work rests with Group Function Environmental Management. Within the business areas, the work is led by the head of each business area, who bears ultimate responsibility. The goals set at the Group level are broken down for each business area and subsidiary. The Group Environmental Council coordinates and monitors Saab's environmental work.

Employer of choice

Saab's Head of Group Human Resources has overarching responsibility for HR work within the Group. This work is managed in close col-

laboration with the HR functions within each business area and is led by the HR staff.

Contribute to society

Saab's contributions are guided by its vision and business idea. Activities that contribute to social development should, according to the strategy for social engagement, mainly be carried out with the help of Saab's employees and technologies and focus on encouraging young people to take an interest in technology and education.

Policies

Saab's sustainability work is managed through established policies and similar documents, such as the Code of Conduct, HR policy, environmental policy, occupational health and safety policy, procurement policy, diversity policy, business travel policy and security policy. The Code of Conduct contains sections on business ethics, information security, social responsibility, the workplace, the environment etc. The Code is available in Swedish and English. Saab also has a Supplier Code of Conduct based on the UN Global Compact's ten principles and the International Labour Organization's core conventions. Saab does not have a separate policy for human rights, since it is covered in the other policies. Group policies are available to all employees on Saab's intranet. Saab's global enterprise systems with central processes and guidelines are also available on the intranet. Saab is certified according to the ISO 14001 environmental management system



Collaborations, initiatives and memberships

Saab has participated since 2011 in the UN Global Compact and has pledged to follow its ten principles on human rights, labour, the environment and anti-corruption. As guidance in its sustainability work, Saab follows the OECD's guidelines on multinational enterprises. In addition, Saab has chosen to participate in a number of sustainability initiatives and organisations. Examples include:

- The business ethics committee of the Aerospace and Defence Industries Association of Europe (ASD)
- The steering committee of the International Forum on Business Ethical Conduct (IFBEC)
- Environmental collaborations through the Swedish Security and Defence Industry Association (SOFF)
- Environmental collaborations within Europe through the Aerospace and Defence Industries Association in Europe (ASD) and globally through the International Aerospace Environmental Group (IAEG)
- Global Compact Network Nordic Countries
- Carbon Disclosure Project
- Global Reporting Initiative

GRI Index

Saab reports its sustainability work in accordance with the Global Reporting Initiative (GRI), at level "core", the UN Global Compact and the Annual Accounts Act. The report comprises all Group operations for the financial year 2017,

unless indicated otherwise The GRI table below contains page references to Saab's Annual Report (AR), the Sustainability fact book (SFB) published on Saab's website, and Saab's website. The table also shows which

parts of the information concern the Global Compact's ten principles and the sustainability areas covered by the Annual Accounts Act.

STANDARD DISCLOSURES				
STRATEGY AND ANALYSIS	Governance and indicators	Page	Global Compact	AAA
	G4-1 Statement from the CEO	AR 6-7		
ORGANISATIONAL PROFILE				
	G4-3 Name of organisation	AR inside front cover		
	G4-4 Primary brands, products and services	AR 37		
	G4-5 Location of the organisation's headquarters	AR 138, SFB 35		
	G4-6 Number of countries where the organisation operate	AR 138, SFB 35		
	G4-7 Nature of ownership and legal form	AR 20		
	G4-8 Markets served	AR 3		
	G4-9 Scale of the organisation	AR 2		
	G4-10 Workforce	AR 39, 138, SFB 20, 35		
	G4-11 Percentage of total employees covered by collective bargaining agreements	In Sweden 100%, no information available on rest of the world	Principle 3	Social conditions
	G4-12 The organisation's supply chain	AR 40, SFB 9		Social conditions
	G4-13 Significant changes during the reporting period	AR 2-7		
	G4-14 Precautionary approach	AR 40, SFB 31		
	G4-15 External charters, principles, or other initiatives	AR 40, SFB 31		
	G4-16 Memberships of associations and national or international advocacy organisations	AR 40, SFB 31		
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES				
	G4-17 Entities included in the consolidated financial statements	AR 45		
	G4-18 Process for defining the report content	AR 40, SFB 31		
	G4-19 Material aspects	AR 13, SFB 4		
	G4-20 Internal impact	All the material aspects Saab has identified have an internal impact		
	G4-21 External impact	All the material aspects Saab has identified have an external impact		
	G4-22 Effect of any restatements of information provided in previous reports	Non-applicable		
	G4-23 Significant changes from previous reporting periods in the scope and aspect boundaries	Non-applicable		
STAKEHOLDER ENGAGEMENT				
	G4-24 Stakeholder groups	www.saabgroup.com		
	G4-25 Identification and selection of stakeholders	www.saabgroup.com		
	G4-26 The organisation's approach to stakeholder engagement	www.saabgroup.com		
	G4-27 Key topics and concerns that have been raised through stakeholder engagement	www.saabgroup.com		
REPORT PROFILE				
	G4-28 Reporting period	AR 41		
	G4-29 Date of most recent previous report	2016		
	G4-30 Reporting cycle	AR 41		
	G4-31 Contact point for questions regarding the report or its contents	AR 40, SFB 34		
	G4-32 GRI Content Index	AR 41-43, SFB 32-34		
	G4-33 Policy and current practice with regard to seeking external assurance for the report	AR 44, Auditor's report on the statutory sustainability report		
GOVERNANCE				
	G4-34 Governance structure of the organisation	AR 40, SFB 31		
ETHICS AND INTEGRITY				
	G4-56 Code of Conduct	AR 40, SFB 31	Principle 10	

GRI Index

SPECIFIC STANDARD DISCLOSURES

Material aspects	Governance and indicators	Page	Global Compact	AAA
ECONOMIC IMPACT				
Economic Performance	DMA Economic performance	AR 2		
	G4-EC1 Direct economic value generated and distributed	AR 17, SFB 30		
Indirect Economic Impacts	DMA Indirect economic impacts	AR 17, SFB 30		
	G4-EC8 Understanding and description of significant indirect economic impacts, including the extent of impacts	AR 17, SFB 30		
ENVIRONMENTAL IMPACT				
Energy	DMA Energy	AR 33, SFB 13-14, 16	Principles 8, 9	Environmental impact
	G4-EN3 Direct and indirect energy consumption by primary energy source	AR 33, SFB 13-14	Principles 8, 9	Environmental impact
	G4-EN5 Energy intensity	AR 33, SFB 13-14	Principle 8	Environmental impact
	G4-EN6 Reduction of energy consumption	AR 33, SFB 13-14	Principles 7, 8	Environmental impact
	G4-EN7 Reductions in energy requirements of products and services	AR 33, SFB 13-14, 16	Principles 7, 8	Environmental impact
Emissions	DMA Emissions	AR 33, SFB 13-14, 16	Principles 7, 8	Environmental impact
	G4-EN15 Total direct greenhouse gas (GHG) emissions	AR 33, SFB 13-14	Principle 8	Environmental impact
	G4-EN16 Total indirect greenhouse gas (GHG) emissions	AR 33, SFB 13-14	Principles 8, 9	Environmental impact
	G4-EN17 Other indirect greenhouse gas (GHG) emissions	AR 33, SFB 13-14	Principle 8	Environmental impact
	G4-EN18 Greenhouse gas (GHG) emissions intensity	AR 33, SFB 13-14	Principles 7, 8, 9	Environmental impact
	G4-EN19 Initiatives to reduce greenhouse gas (GHG) emissions, and reductions achieved	AR 33, SFB 13-14, 16	Principles 7, 8	Environmental impact
Effluents and waste	DMA Effluents and waste	www.saabgroup.com	Principles 7, 8	Environmental impact
	G4-EN23 Total weight of waste by type and disposal method	www.saabgroup.com	Principles 7, 8	Environmental impact
	G4-EN24 Total number and volume of significant spills	No significant spills were reported in 2016		
Products and Services	DMA Products and services	AR 33, SFB 13-14, 16	Principles 7, 8	Environmental impact
	G4-EN27 Extent of impact mitigation of environmental impacts of products and services, and results thereof	AR 33, SFB 13-14, 16	Principle 8	Environmental impact
Compliance	DMA Compliance	AR 33, SFB 13-14, 16	Principle 8	Environmental impact
	G4-EN29 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	No significant fines		
Transport	DMA Transport	AR 33, SFB 13-14	Principles 7, 8	Environmental impact
	G4-EN30 Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	AR 33, SFB 13-14	Principles 7, 8	Environmental impact
Supplier Environmental Assessment	DMA* Supplier environmental assessment	AR 31, SFB 9	Principle 8	Environmental impact
	G4-EN32 Percentage of new suppliers that were screened using environmental criteria	AR 31, SFB 9	Principle 8	Environmental impact

SPECIFIC STANDARD DISCLOSURES

SOCIAL IMPACT – LABOUR PRACTICES AND DECENT WORK	Governance and indicators	Page	Global Compact	AAA
Occupational Health and Safety	DMA Occupational health and safety	AR 32, SFB 21		Social conditions
	G4-LA6 Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region	SFB 21		Social conditions
Training and Education	DMA Training and education	AR 32, SFB 18-20		Social conditions
	G4-LA9 Average hours of training per year per employee, and by employee category	AR 32, SFB 18, Saab does not consider number of hours a good measure of quality		Social conditions
	G4-LA11 Percentage of employees receiving regular performance and career development reviews	Offered to everyone	Principle 6	Social conditions
Diversity and Gender equality	DMA Diversity and gender equality	AR 39, SFB 20	Principle 6	Social conditions
	G4-LA12 Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	SFB 20	Principle 6	Social conditions
Supplier Assessment of Labour Practices	DMA Supplier assessment for labour practices	AR 31, SFB 9	Principle 4	Social conditions
	G4-LA14 Percentage of new suppliers that were screened using labour practices criteria	AR 31, SFB 9	Principle 4	Social conditions
SOCIAL IMPACT – HUMAN RIGHTS				
Supplier Human Rights Assessment	DMA Supplier human rights assessment	AR 31, SFB 9	Principle 2	Social conditions
	G4-HR10 Percentage of significant suppliers that were screened using human rights criteria, and actions taken	AR 31, SFB 9	Principle 2	Social conditions
SOCIAL IMPACT – SOCIETY				
Anti-corruption	DMA Anti-corruption	AR 27, SFB 6-7	Principle 10	Anti-corruption
	G4-SO3 Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	AR 27, SFB 6-7	Principle 10	Anti-corruption
	G4-SO4 Percentage of employees who have received training on the organisation's anti-corruption policies and procedures	SFB 6-7	Principle 10	Anti-corruption
Supplier Assessment for Impacts on Society	DMA Supplier assessment for impacts on society	AR 31, SFB 9		Anti-corruption
	G4-SO9 Percentage of new suppliers that were screened using criteria for impacts on society	AR 31, SFB 9	Principle 10	Anti-corruption
SOCIAL IMPACT PRO-DUCT RESPONSIBILITY				
Marketing Communications	DMA Marketing communications	AR 27, SFB 6-8		
	G4-PR6 Sale of banned or disputed products	AR 27, SFB 8		
Customer Privacy	DMA Customer privacy	AR 31, SFB 10		
	G4-PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	AR 31, SFB 10, For strategic reasons Saab does not report data		

Supplementary information

Definitions

We have combined the areas of social conditions, human resources and human rights in the Annual Accounts Act into social conditions.

Risks and risk management

Strategic risks associated with anti-corruption, the environment and labour practices are reported in AR 2017, pp. 54–57.

Human rights

In 2017 Saab began to identify all of its risks associated with human rights, which will be completed in 2018.

Business model

Saab's business model is described in AR 2017, pp. 16–17.

Contact

Evalena Persson, Director Corporate Responsibility Coordination,
E-mail: evalena.persson@saabgroup.com

Statutory sustainability report

According to Chapter 6, 11 § of the Annual Accounts Act, Saab has prepared a sustainability report. The scope of Saab's sustainability report according to the Annual Accounts Act, is shown in the GRI Index on pages 41-43. It consists of pages 12-17, 26-27, 31-33, 39-40, 54-57 and 59 in this document.

Auditor's report on the statutory sustainability report

To the general meeting of the shareholders in Saab AB, corporate identity number 556036-0793.

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2017 in the summary above and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the examination

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Stockholm, 2 March 2018
PricewaterhouseCoopers AB

Bo Hjalmarsson
Authorised Public Accountant

Administration report and financial statements

CONTENT

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Group – Financial review 2017

Financial review 2017

Saab AB (publ.), corporate identity number 556036-0793, has its registered address in Linköping, Sweden. The head office's visiting address is Gustavslundsvägen 42, Bromma, Sweden, with the mailing address Box 12062, SE-102 22 Stockholm, Sweden, through 27 March 2018. As of 28 March 2018, the visiting and mailing address is Olof Palmes gata 17, 5tr, SE-111 22 Stockholm, Sweden. The telephone number to the head office of Saab AB is +46 8-463 00 00.

Saab has been listed on Nasdaq Stockholm since 1998 and on the Large Cap list since 2006. The largest shareholder is Investor, with 30 per cent of the shares, corresponding to 40 per cent of the votes as of 31 December 2017. The share of the votes is calculated based on the number of shares, excluding treasury shares, at year-end. The total number of shares in the company is 109,150,344, distributed between 1,907,123 Series A shares with 10 votes each and 107,243,221 Series B shares with one vote each.

At year-end, a total of 2,326,562 Series B shares had been repurchased to guarantee the Group's share matching plans. The repurchased shares are held as treasury shares.

Corporate governance report

In accordance with the Swedish Annual Accounts Act, Saab has prepared a corporate governance report. The corporate governance report, found here on pages 58-71, contains the Board of Directors' report on internal control of financial reporting, which includes disclosures on both the Parent Company and the Group.

Sustainability report

Saab has prepared a sustainability report according to chapter 6, section 11 of the Swedish Annual Accounts Act. The scope of Saab's sustainability report is shown in the summary on page 44 in this document. Supplementary sustainability information can be found in the Sustainability fact book, which is available on www.saabgroup.com/responsibility. Together, these documents comprise Saab's integrated annual and sustainability report, which has been prepared based on the requirements in GRI's guidelines, G4, at level "core".

Operations

As one of the world's leading high technology companies, Saab offers products, solutions and services for military defence and civil security. In 2017, the Group had customers in over 100 countries, while research and development is concentrated in Sweden. The Group's employees work mainly in Europe, South Africa, the US and Australia, with others in local offices in more than 30 countries around the world.

Saab was organised in six business areas in 2017: Aeronautics, Dynamics, Surveillance, Support and Services, Industrial Products and Services, and Kockums.

Corporate

In addition to the business areas, Corporate comprises Group staff and departments as well as other operations outside the core operations.

Corporate reported operating income of MSEK -455 (-356) in 2017.

Long-term financial goals

The long-term financial goals as of 2011 consist of goals for organic sales growth, operating margin (EBIT) and the equity/asset ratio.

Organic sales growth will average 5 per cent per year over a business cycle. In 2017, organic sales growth was 10 per cent (5).

The operating margin (EBIT) will average at least 10 per cent per year over a business cycle. In 2017, the operating margin (EBIT) was 6.9 per cent (6.3).

The equity/assets ratio will exceed 30 per cent. At year-end 2017, the equity/assets ratio was 32.2 per cent (32.3).

Dividend and dividend policy

Saab has a long-term dividend goal to distribute 20-40 per cent of net income over a business cycle to the shareholders. For 2017, the Board of Directors is proposing a dividend of SEK 5.50 (5.25) per share, corresponding to 42 per cent (49) of net income.

Outlook 2018

Sales growth in 2018 is expected to be in line with Saab's long-term financial goal: annual organic sales growth of 5 per cent.

The operating margin in 2018, excluding material non-recurring items, is expected to improve compared to 2017, bringing Saab a further step closer to its financial goal: an operating margin of 10 per cent.

Business area Aeronautics

Aeronautics is the innovative supplier of world-class military aircraft systems and is engaged in research, development and production of military aircraft systems. It also conducts studies as preparation for future manned and unmanned aircraft systems as well as further development of existing products.

Services and solutions

- Gripen is the world's most flexible and adaptable combat aircraft system. With its modular design, it can be upgraded and adapted to customers' requirements.
- Unmanned/autonomous systems.
- Boeing and Saab are jointly developing a series prototype for the next generation trainer aircraft for the U.S. Air Force's T-X program.

Aeronautics includes the business units Gripen E/F, Gripen C/D, Gripen Brazil, Advanced Pilot Training Systems and Operations Contracts.



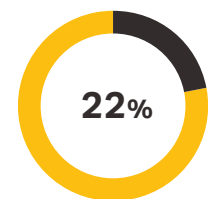
Orders

Saab received an order from FMV to provide operational and development support for Gripen during 2017. A contract was also signed with FMV on the continued support and maintenance of Gripen C/D valued in total at SEK 1.9 billion. The order value for Aeronautics amounted to MSEK 536 and deliveries will be made from June 2017 to December 2019.

were higher in 2017 compared to 2016.

Cash flow

Aeronautics received large milestone payments in the first and fourth quarters of 2017. The level of project activity and completion was high throughout the year.



Share of sales 2017

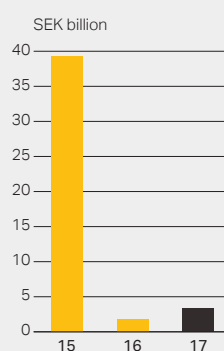
Sales, income and margin

The activity level within the Gripen programme to Sweden and to Brazil remained high. Operating income was lower within Gripen C/D operations in 2017 due to a change in project mix. In 2017, significant development expenditures were again made in the T-X program, but at a lower level than in 2016. In 2018, the U.S. Air Force is expected to announce its choice for the T-X program. Due to the great interest in Gripen, marketing expenditures

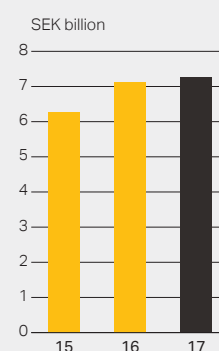
Key figures

MSEK	2017	2016
Order bookings	3,295	1,789
Order backlog	50,154	54,127
Sales	7,267	7,138
EBITDA	528	576
EBITDA margin, %	7.3	8.1
Operating income, EBIT	478	535
Operating margin, %	6.6	7.5
Operational cash flow	1,264	435
No. of employees (FTE)	3,073	2,932

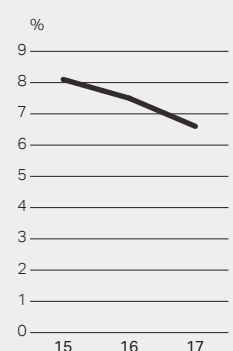
Order bookings



Sales



Operating margin



Business area Dynamics

Dynamics offers a market-leading product portfolio comprising ground combat weapons, missile systems, torpedoes, unmanned underwater vehicles, training systems and signature management systems for armed forces. The product portfolio also consists of niche products for the civil and defence markets such as underwater vehicles for the offshore industry.

Services and solutions

- Ground combat weapons, including NLAW, AT4, Carl-Gustaf and Bill 2.
- Land-based air defence systems, including RBS70, RBS70 NG and BAMSE.
- RBS 15 air-to-surface missile and international missile programmes such as Meteor, Taurus, IRIS-T and GLSDB.
- Underwater systems, including remotely operated and autonomous vehicles as well as torpedoes and underwater sensors.
- Advanced camouflage systems, including the products Barracuda MCS, ULCAS and SOTACS.

Products and solutions have been sold to more than 60 countries around the world.

Dynamics includes the business units Ground Combat, Missile Systems, Underwater Systems, Training and Simulation and Barracuda.

Orders

Dynamics signed a major contract with FMV for the development and production of next generation anti-ship missiles. The total order value amounted to SEK 3.2 billion. FMV subsequently ordered additional production of next generation anti-ship missiles for MSEK 500.

Saab received an order from the Swiss Federal Office for Defence Procurement, Armasuisse, to deliver the Next generation Light Anti-Tank Weapon system (NLAW) to the Swiss Army. The order value amounted to about SEK 1.035 billion with deliveries during the period 2018-2021.



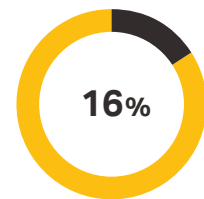
Sales, income and margin

Sales increased due to strong order bookings in large parts of the business area in recent years.

The operating margin improved due to high capacity utilisation throughout the business area, with Training and Simulation delivering a strong profit improvement during the year.

Cash flow

Operational cash flow was positive mainly due to payments received for deliveries in the fourth quarter.

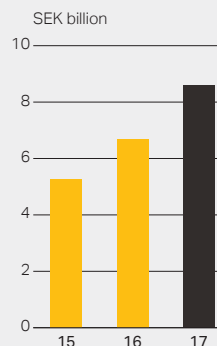


Share of sales 2017

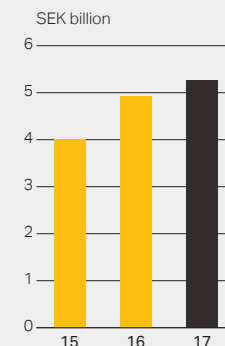
Key figures

MSEK	2017	2016
Order bookings	8,615	6,680
Order backlog	11,399	8,031
Sales	5,267	4,927
EBITDA	660	522
EBITDA margin, %	12.5	10.6
Operating income, EBIT	575	447
Operating margin, %	10.9	9.1
Operational cash flow	1,105	282
No. of employees (FTE)	2,143	2,094

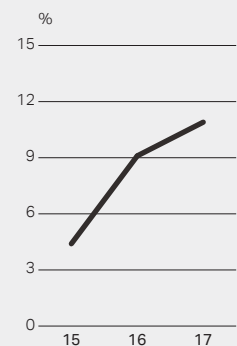
Order bookings



Sales



Operating margin



Business area Surveillance

Business area Surveillance provides efficient solutions for safety and security, for surveillance and decision support, and for threat detection, location, and protection. The portfolio covers airborne, ground-based and naval radar, electronic selfprotection systems, combat systems and traffic management on land, at sea and in the air.

Services and solutions

- The airborne surveillance systems GlobalEye and Saab Erieye AEW&C (Airborne Early Warning & Control) for defence and civil security.
- The surface radar family Giraffe, Sea Giraffe and Arthur for air and maritime surveillance and weapon locating.
- Combat management systems based on 9LV for navies as well as air forces and armies.
- Signals intelligence (SIGINT) systems that provide real-time situational awareness to localise and identify threats, for both tactical and strategic applications.
- Self-protection systems that warn of threats and protect aircraft, helicopters, vehicles and vessels.
- Nose radar for fighter aircraft, data links and laser rangefinders.

Surveillance includes the business units Airborne Surveillance Systems, Combat Systems and C41 Solutions, Electronic Warfare Systems and Surface Radar Solutions. As of 1 January 2018, the new business unit Cyber Security is part of Surveillance. The business unit Traffic Management was part of Surveillance throughout 2017 but as of 1 January 2018 is included in the business area Industrial Products and Services.

Orders

Surveillance and Support and Services received a major order in the AEW&C segment valued at MUSD 236, approximately SEK 2 billion, of which approximately MSEK 550 was related to Surveillance. Another AEW&C con-



tract was signed as well, with an order value of SEK 1.35 billion, of which MSEK 789 was related to Surveillance.

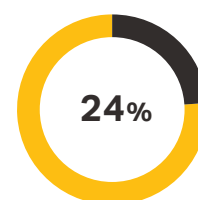
Surveillance and Kockums also signed a major contract for the modification and upgrade of the Swedish Navy's Gävle-class corvettes. The order value amounted to SEK 1.249 billion, of which MSEK 501 was related to Surveillance.

Sales, income and margin

Sales and the operating margin strengthened mainly due to a high level of activity in the AEW&C segment +and decreased amortisation of development expenditures.

Cash flow

Surveillance received large advances in 2016 which was not repeated in 2017. The level of project activity and completion was high, which led to a negative cash flow.

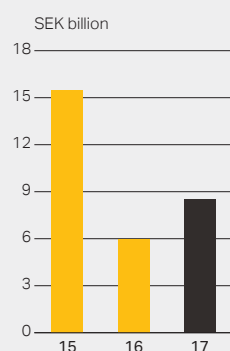


Share of sales 2017

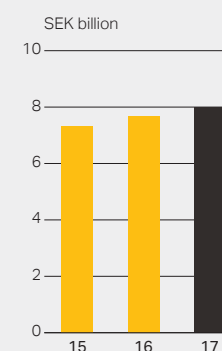
Key figures

MSEK	2017	2016
Order bookings	8,528	5,993
Order backlog	16,169	16,415
Sales	8,015	7,659
EBITDA	945	940
EBITDA margin, %	11.8	12.3
Operating income, EBIT	591	449
Operating margin, %	7.4	5.9
Operational cash flow	-73	1,865
No. of employees (FTE)	4,198	3,963

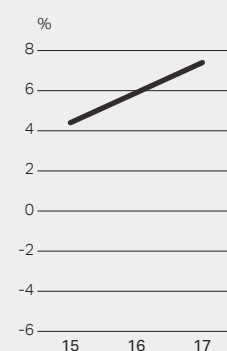
Order bookings



Sales



Operating margin



Business area Support and Services

Support and Services offers reliable, cost-efficient service and support for all of Saab's markets. This includes support solutions, technical maintenance and logistics as well as products and services for military and civil missions.

Services and solutions

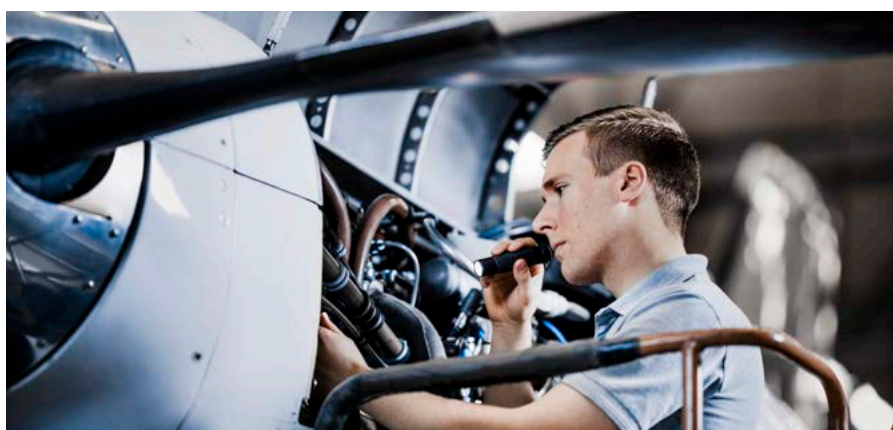
- Customised support solutions in all areas - over the product's entire lifecycle.
- Supplies everything from individual spare parts to availability-based commitments.
- Technical services, maintenance and repair work.
- Products and integration for airborne surveillance systems, communication systems, CBRN (chemical, biological, radiological and nuclear) defence solutions, military avionics and field solutions.

Support and Services includes the business units Aviation Services, Airborne ISR, Gripen Support, Networks and Public Safety, Tactical Solutions and Maintenance Production. As of 1 January 2018, Maintenance Production is a part of Gripen Support and Tactical Solutions and Networks and Public Safety are merged into one business unit under the name Communication and Tactical solution.

Orders

Support and Services and Surveillance received a major order in the AEW&C segment valued at MUSD 236, approximately SEK 2 billion, of which approximately MSEK 1,450 was related to Support and Services. Another AEW&C contract was signed as well, with an order value of SEK 1.35 billion, of which MSEK 561 was related to Support and Services.

A major contract was signed with FMV on the continued support and maintenance of Gripen C/D valued in total at SEK 1.9 billion. The order value for Support and Services amounted to MSEK 1,164.

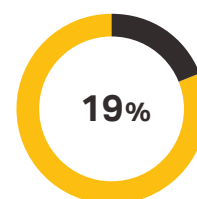


Sales, income and margin

Sales and the operating margin increased mainly due to a high activity level within the AEW&C segment.

Cash flow

Operational cash flow was affected by a high level of activity mainly in the AEW&C segment, where several large milestone payments received in 2016 were not repeated in 2017.

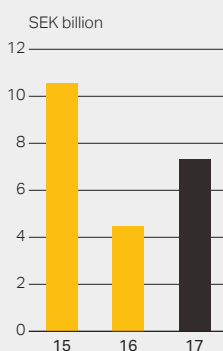


Share of sales 2017

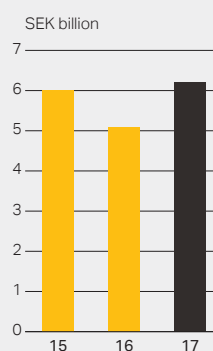
Key figures

MSEK	2017	2016
Order bookings	7,324	4,473
Order backlog	14,039	12,938
Sales	6,201	5,081
EBITDA	692	470
EBITDA margin, %	11.2	9.3
Operating income, EBIT	673	454
Operating margin, %	10.9	8.9
Operational cash flow	104	1,243
No. of employees (FTE)	2,043	2,119

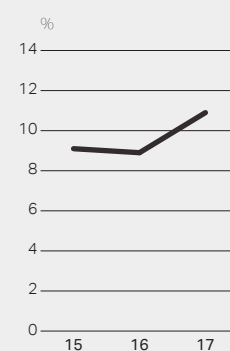
Order bookings



Sales



Operating margin



Business area Industrial Products and Services

The business units within Industrial Products and Services are focused on business-to-business (B2B) customers. There is also a minority portfolio containing Saab's ownership interests in companies in various stages of development.

Services and solutions

- Technical consulting services to customers in industry, defence and the public sector through the independent subsidiary Combitech. The company offers a broad range of services, with cutting-edge expertise in Cyber Security and digitisation.
- Production of parts to the aviation industry; such as wings, flaps and doors for commercial aircraft manufacturers such as Boeing and Airbus.
- Safety critical systems and components such as computers, display systems and actuators for demanding environments for aircraft and helicopters.
- The minority portfolio gathers together and develops product ideas that derive from development projects but fall outside the core business.
- Industrial Products and Services also invests in small, fast-growing companies that could eventually complement the core portfolio.

Industrial Products and Services includes the business units Aerostructures and Avionics Systems as well as the independent consulting firm Combitech. As of 1 January 2018 the business unit Traffic Management is a part of the business area.

The minority portfolio includes the interests in Vricon Inc, UMS Skeldar AG, Cold Cut Systems AB, C-leanship AS, Revibe Energy AB, Hyker Security AB and Cind AB.

Orders

Order bookings increased within the technical consulting company Combitech, but were slightly lower in the business units Avionics



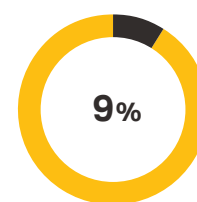
and Aerostructures. Aerostructures received a major order in 2016 that was not repeated in 2017.

Sales, income and margin

Sales increased due to higher sales within Combitech, which strengthened as a result of higher demand, the effects of the transfer of Ericsson's development organisation in October 2016 and the acquisition of Watchcom AS in 2016.

Operating income within Combitech increased as a result of a high utilisation rate and additional project work, while the business unit Aerostructures was affected by delayed deliveries.

Significant investments were made in 2017 in the minority portfolio containing Saab's ownership interests in companies in various stages of development.



Share of sales 2017

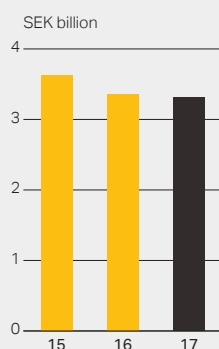
Cash flow

Operational cash flow was negative, mainly due to delayed deliveries and currency transactions related to projects in the business unit Aerostructures during the period.

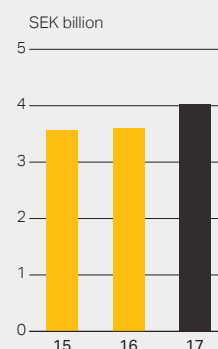
Key figures

MSEK	2017	2016
Order bookings	3,311	3,358
Order backlog	8,665	9,361
Sales	4,022	3,605
EBITDA	172	170
EBITDA margin, %	4.3	4.7
Operating income, EBIT	136	134
Operating margin, %	3.4	3.7
Operational cash flow	-264	-54
No. of employees (FTE)	2,713	2,679

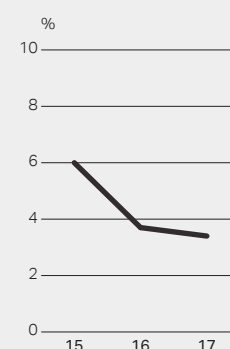
Order bookings



Sales



Operating margin



Business area Kockums

Kockums is a world leader in its segment in the development, production and in-service support of submarines, surface vessels and naval systems. The product portfolio includes submarines with air-independent propulsion, warships with stealth technology and minesweeping systems. Kockums also supplies subsystems and components for integration in naval solutions for customers in and outside Sweden.

Services and solutions

- Design, construction and in-service support for submarines and surface vessels.
- Design, construction and in-service support for mine countermeasures vessels and autonomous underwater vehicles.

The business area's unique expertise is in signature management and stealth technology, material optimisation and shock resistance, as well as in systems integration. Kockums' products are designed for availability, simplified maintenance and long operating lives. One example is the Västergötland-class submarine, which after 30 years is operational in both Sweden and Singapore. Air-independent propulsion with the Stirling system, carbon fibre composite designs and minesweeping systems are solutions where Kockums is the leader and where the products are in use in a number of countries.

Kockums' production facility in Karlskrona has undergone major modernisations since Saab's acquisition. Through investments in methodological improvements, industrial robots and digitisation, the shipyard today ranks as one of the world's most modern for production and in-service support of submarines. Kockums includes the business units Submarines and Surface Ships.

Orders

A contract was signed with FMV for delivery of a Special Purpose Ship for Signal Intelligence (SIGINT). The order covers the period 2017-2020, with a total value of MSEK 730.

Kockums and Surveillance also signed a contract for the modification and upgrade of the Swedish Navy's Gävle-class corvettes.



The order value amounted to SEK 1.249 billion, of which MSEK 748 was related to Kockums.

Sales, income and margin

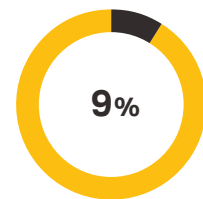
Sales increased in 2017 due to higher activity in the ongoing half-time modifications of two Gotland-class submarines and high activity related to maintenance of surface vessels.

Cash flow

Kockums received large advances and milestone payments in 2017, which led to positive cash flow despite a continued high level of project activity and completion.

Personnel

During 2017, the number of employees increased within Kockums due to increased personnel needs in both the design and production phases of major projects.

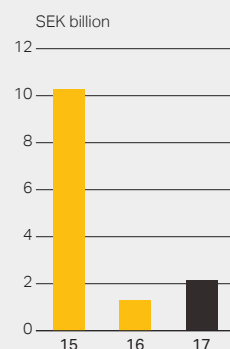


Share of sales 2017

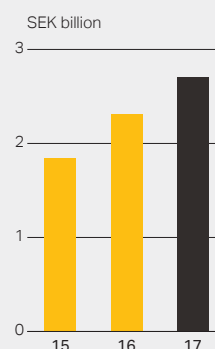
Key figures

MSEK	2017	2016
Order bookings	2,129	1,293
Order backlog	8,815	8,910
Sales	2,712	2,311
EBITDA	180	165
EBITDA margin, %	6.6	7.1
Operating income, EBIT	157	134
Operating margin, %	5.8	5.8
Operational cash flow	206	639
No. of employees (FTE)	1,115	853

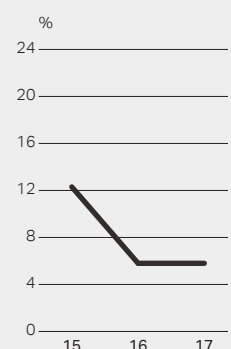
Order intake



Sales



Operating margin



Other significant events

Other significant events during the period January–December 2017

- Saab announced that it had selected Poland's Nauta Shiprepair Yard, based in Gdynia, a part of the Polish Armaments Group (PGZ), to build the ship platform for the special purpose Signal Intelligence (SIGINT) vessel for the Swedish Navy.
- On June 15, Saab completed a successful first flight of the next generation smart fighter, Gripen E. The maiden flight was conducted over the eastern parts of Östergötland for 40 minutes. During the flight, the aircraft's performance capabilities and key embedded functions were tested.
- Saab made changes within the Group Management during the year. During the first quarter Ulf Nilsson resigned as Head of Business Area Aeronautics and was replaced by Jonas Hjelm, former Head of Business Area Support and Services. During the third quarter Ellen Molin was appointed the new Head of Business area Support and Services and Jessica Öberg was appointed the new Head of Business Area Industrial Products and Services. Dan Jangblad, former Head of Business Area Industrial Products and Services, left Group Management to take a position as Senior Advisor to the CEO.
- Saab Digital Air Traffic Solutions AB and Storuman municipality signed a letter of intent meaning that Saab Digital Air Traffic Solutions (SDATS) and Storuman municipality will initiate a feasibility study aimed at establishing a "Remote AFIS Centre" for remote tower services and digital air traffic control services for smaller regional airports. Development of the technology and methodology will initially be carried out at Hemavan-Tärnaby Airport, with the objective of expanding the dialogue to several other airports.
- In September, Saab presented Gripen Aggressor as an aircraft variant based on the Gripen C-series. Gripen Aggressor is an ultimate platform for realistic combat training and offers a unique mix of high performance, mission flexibility and availability, combined with a low life cycle cost.
- Also in September, Saab and the Indian infrastructure conglomerate Adani Group announced a collaboration plan within aerospace and defence in India, aligned with the Government of India's Make in India initiative. The intended collaboration would encompass design, development and production of Gripen for India and other high-tech products of national importance for India and also the creation of joint ventures in India in line with the Make In India policy.
- Saab is competing together with Boeing to win the tender to supply the U.S. Air Force with an advanced trainer aircraft. Saab announced during the period that, should it be selected, it will establish manufacturing capabilities for its parts of the T-X advanced trainer aircraft in the US.
- Saab was identified by the Australian government to provide the tactical interface to the Royal Australian Navy's (RAN) fleet of nine Future Frigates. The Saab 9LV Combat Management System would form an integral part of the Future Frigate and upgraded Air Warfare Destroyer combat capability as well as being selected for Australia's upcoming Off-shore Patrol Vessel programme.
- Saab acquired the company Applied Composites AB (ACAB), based in Linköping, Sweden, from GKN Aerospace. The acquisition will guarantee key technologies for the development of future ground combat weapon systems and advanced radomes.
- Saab acquired the Swedish combat boat producer N. Sundin Dockstavarvet AB and the repair shipyard Muskövarvet AB to strengthen Saab's product offering in the naval domain. The acquisition of the companies made on 29 December 2017.
- Saab teamed up with the US company Raytheon Company on the development of new weapons systems for infantry forces to meet near-term U.S. and international requirements.
- Saab increased its presence in the United Arab Emirates by establishing development and production in Abu Dhabi of a variety of defence and security products with an initial focus on sensor systems.

Significant events after the conclusion of the period

- Saab was contracted by Patria as one of the major suppliers across the Finnish Navy Squadron 2000 Mid-Life Upgrade programme. Patria has the prime role for the total programme, which includes refurbishment and upgrade of four Hamina-class fast attack craft. Saab will supply the 9LV Combat Management System (CMS), the 9LV Fire Control System (FCS) including the Ceros 200 fire control director and the Trackfire Remote Weapon Station (RWS).
- Saab signed a contract for production and deliveries of Saab's New Lightweight Torpedo to the Finnish Navy. The contract is part of the Squadron 2000 Mid-Life Upgrade Programme (SQ2000 MLU) for the Finnish Navy's four Hamina fast attack craft.
- Saab expanded its activities in Finland by establishing a new development centre – the Saab Technology Centre (STC) – in Tampere.
- Saab received an order for the Sabertooth Autonomous Underwater Vehicle/Remotely Operated Vehicle (AUV/ROV). Deliveries will take place during 2018.
- Saab received an order from FMV to provide operational and development support for Gripen during a period of three years, from 2018 to 2020, with a value of MSEK 1,350.

Risks and risk management

All business entails risks. Risks that are managed well can lead to opportunities and value creation, while risks that are not managed properly can lead to damages and losses. Saab monitors and manages its risk exposure in a structured and proactive way.

Saab's operations primarily involve the development, production and supply of technologically advanced hardware and software to customers around the world. Operations largely consist of major projects carried out over long periods of time, usually several years, in close cooperation with customers, suppliers, various other companies and institutions. In addition, Saab is engaged in innovation programmes and technology transfers.

Saab's strategy is affected by both external and internal factors that can give rise to risks. The ability to identify, evaluate and manage risks is therefore an important component in implementing Saab's strategy as well as in its governance and control. The aim, by understanding risks and their impact, is to better support decision-making and meet Saab's long-term goals through balanced risk-taking within an established framework.

Saab's Board of Directors is ultimately responsible for risk management, and Group Management is responsible for ensuring that an effective risk processes is in place.

The risks described here on pages 54–57 are the ones Saab assesses as having the most significant impact on the entire Group.

Risk management

Within Saab, each business area, market area and Group function is responsible within its respective organisation, continuously at all levels, for identifying and managing risks in accordance with the Group's risk process. All risks are measured as the probability that the risk will be and the potential impact on the business. This gives Saab a tool to measure risk exposure and set priorities when needed.

In 2017, Saab established an Enterprise Risk Management (ERM) function that works actively with the overarching risk management process. The aim of the ERM work is to provide an overview of the Group's risks. In this process, Saab's risks are classified into five areas: strategic risks, market and political risks, operating risks, financial risks and compliance risks. These risk areas can affect Saab's results and position in the market if not managed in an effective and proactive way.

The majority of the operating risks that are identified are managed at the local level. Among these risks, however, Saab annually identifies a number that individually or in combination can have a large impact at the business area level. Of these, around ten may also have a major impact on the entire Group. This process, which is led by the ERM unit, constitutes part of the strategic work and mainly involves the managements of the business and market areas, but also Group Management and certain Group functions. These major risks and how they are managed are reported on a regular basis to Group Management, the Audit Committee and the Board of Directors.

In addition, Saab's internal audit unit is responsible for independently reviewing the effectiveness of a sample of internal control processes each year. Risks are also managed by procuring insurance. Saab has a Group-wide programme where insurance is obtained on the market or through the Group's own insurer, Lansen Försäkrings AB.

Strategic risks

Saab's strategy to grow globally by strengthening its presence in key markets, developing innovative solutions and acquiring companies in

priority areas exposes it to various risks. The strategic risks include risks relating to the product portfolio, business-critical assets, international expansion and collaborations, company acquisitions, and the ability to attract and retain the right talent over the long term.

Development and introduction of new systems and products

Investments in new systems and products are made after an analysis and assessment of future business opportunities. The risk in developing and introducing new systems and products is that they do not live up to the market's demands and therefore do not generate the expected return or that the products were timed incorrectly relative to demand. Due to long development cycles, changes in the market can mean that demand no longer exists or has changed when products are ready to be brought to market.

To reduce the development risk inherent in major systems and products, multinational partnerships are imperative. For the products it develops itself, it is critical that Saab identifies a first customer early on. The Swedish state, through the Armed Forces and FMV, has traditionally accounted for a large percentage of Saab's product renewal. The share of product development done collaboratively with other nations is rising as Saab grows its business outside Sweden. Saab expects Sweden to account for the largest share of its development expenditures for many years to come in the fighter aircraft, missile and underwater areas. Saab's own systems mainly refer at this point to radar systems, command and control systems, tactical weapons, and electronic warfare systems. Future business opportunities are periodically reassessed to address any impairment losses.

Other ways to reduce development risk are to develop certain technology in partnership with other companies as well as through the use of modularisation. One example of a significant investment is Saab's collaboration with Boeing to bid on the US Air Force's new jet trainer as part of the so-called T-X program.

Using modular design, new models can be developed continuously and cost efficiently, and new customer demands can be met faster and at lower cost.

International expansion and collaborations

Acquisitions and collaborations are an integral part of the international growth strategy to further strengthen Saab's presence in selected key markets. This is mainly done through research collaborations with universities, joint ventures, acquisitions and expansion. Managing risks in connection with increased internationalisation is a long-term process and an important part of Saab's annual strategic work and business offerings.

Attract and retain talent

Saab's future competitiveness depends on its ability to attract and retain committed employees and leaders with the right skills. Saab places great emphasis on career development to recruit, develop and retain qualified talent from a variety of backgrounds. To manage this risk, Saab applies a structured process to identify and develop employees. Saab works long-term to encourage students to pursue a higher education and positions itself as an employer of choice.

Cybersecurity

Cyberthreats have become a growing risk in recent years, since Saab's products contain a large amount of software. Traditionally, military systems have handled such threats by virtue of not being linked to civilian networks. This is no longer the case, because of which cybersecurity comes up very high on the agenda in our development projects. To manage this effectively, Saab has a special unit within the company to develop software components that can be used to protect our systems. Saab also works actively to meet new and increased cybersecurity requirements it faces.

Market and political risks

Saab's business and customer relationships extend over decades and about 80 per cent of sales consists of defence materiel, which is regulated by national laws and ordinances as well as international conventions. In some parts of Saab's business, it is important to maintain good political relations. Market and political risks include risks relating to regulatory changes, export restrictions, customer relations, macroeconomic trends and economic crises, political turmoil and shifts in power, embargos and other market risks, which could adversely impact Saab's business and growth opportunities.

The biggest political risk for Saab is that laws, regulations, ordinances or multilateral agreements are amended in a way that impacts Saab's relationship with one or more customers. In Saab's case, it is closely affected by Sweden's defence policy and regulations on the export of defence materiel.

Market risks affecting customers

Another large identified risk in this area consists of market risks that can affect Saab's customers in a way that they cannot fulfil their current contracts. This could mean that Saab does not get paid for products and systems it has delivered or that Saab e.g. has to break off a project after major investments have already been made. A large share of Saab's order backlog contains contracts with an order value over SEK 1 billion which will be delivered over many years. Consequently, the impact on Saab could be significant if a major contract is broken or amended and renegotiated.

Saab manages market and political risks by monitoring laws, regulations and ordinances and by maintaining access to information on changes that are being made or could be made in the future. In this way, Saab can adapt its business to the changes that do occur.

Saab also manages market risks through various types of export guarantees, insurance solutions and other instruments. It is impossible, however, to completely avoid losing business opportunities or incurring damage if market and political risks are realised.

Operating risks

A number of significant areas have been identified with respect to operating risks, which can have an impact on day-to-day operations. Operating risks include risks relating to order bookings, contract management, project implementation, cost controls, suppliers, resources, product responsibility, business disruptions, industrial cooperations, environmental risks and liabilities, health, information management and security.

Project implementation of long-term customer contracts

Saab's operations involve complex, long-term development projects on the leading edge of technology that in some cases also include participation in developing the customer-country's economy through various forms of industrial cooperation. The risk in long-term customer projects is that Saab will not be successful in implementing or delivering cost-efficient solutions in accordance with the customer's requirements or budget, as a result of which the commitment is not fulfilled or the costs run significantly higher. Major ongoing customer projects in 2017 included Gripen to Sweden and Brazil, an AEW system to the United Arab Emirates and the A26 submarine to Sweden. The risk in long-term customer projects is managed by always performing a thorough analysis of the conditions and risks associated with delivery prior to signing any contract. The analysis is performed through an established quality assurance process – the so-called Win Business process. This includes a comprehensive analysis of the risks in the project and what is required to manage risks that arise. During project implementation – the so-called Execute Business process – continuous reviews are conducted in part to identify and assess risks and the measures taken to mitigate them. Major customer projects that have been identified are also monitored on a regular basis by Group Management and reported to Board of Directors. The Group applies the percentage of completion method to recognise revenue from the majority of long-term customer projects. An estimation of total costs, including assessments of technical and commercial risks, is critical to revenue recognition and provisions for project losses as well as inventory revaluations. Revised estimations of the projects' total costs have retroactive effects on results.

Information security risk

Knowledge, information and intellectual assets are essential to Saab's competitiveness, as are well-functioning IT systems, networks and efficient communication. Saab manages information that is vital to its customers and in many cases to their national security. Maintaining and continuously improving its information and IT security is critical therefore if Saab is to achieve its business goals. The information security risk for Saab is that information will fall into the wrong hands if handled incorrectly or if someone obtains access to the information by breaking into Saab's IT system. To prevent risks in information security, Saab works with a set of administrative and technological protections that include clearly defined rules, processes, routines and technical solutions for information, IT and communication security. To ensure that Saab's employees handle information in accordance with current regulations, all new employees receive basic security training. Continuous and systematic information and IT security is imperative for Saab to stay competitive and profitable and maintain the confidence of a challenging market.

New permit for Saab's aeronautics operations in Linköping

An application for a new environmental permit is being prepared for Saab's operations in Tannefors, Linköping, including for the manufacture of aircraft and aeronautics operations. The supervisory authorities have felt for some time that Saab needs a new permit, since many of today's terms are out-of-date. The biggest risk for Saab in the permit-

ting process is of more stringent requirements on soundproofing neighbouring properties. An analysis of the possible consequences is underway. To reduce the noise level above Linköping, Saab, in collaboration with the local municipality, plans to move the runway 600 m from the city. This would reduce the amount of noise that spreads across the downtown area.

Financial risks

Through its extensive international operations, Saab is exposed to various financial risks. The financial risks consist of foreign currency risk, interest rate risk, liquidity and refinancing risk, credit and counterparty risk, commodity risk, tax and transfer price risk, and the pension obligation.

Foreign currency risks, interest rate risks and refinancing risks

Overarching responsibility for management of the financial risks, including refinancing risk, lies with Group Treasury. Management of financial risks is governed by the Group Treasury Policy established by the Board of Directors. For more information, see note 38. Detailed directives and processes are in place for operational management in each area.

Pension obligations

Saab also has an extensive pension obligation managed by the Saab Pension Fund. The Saab Pension Fund was established in 2006 and capitalised with the corresponding PRI liability. Actuarial calculations of the Group's obligations are performed each year and compared to the fund's assets. Deficits may require Saab to contribute additional funds. For more information, see note 34.

Compliance risks

Saab's business is built on the confidence of its customers, suppliers, employees and not least the political system. Consequently, ethical values, transparent business relationships and compliance are of vital importance. Saab is a long-term, reliable business partner and promotes an open and transparent market. The confidence of the public and the political system is critical to Saab's long-term survival, but it is just as important to be a company that every employee can be proud of.

Saab does business around the world and has relationships with customers and other stakeholders on every continent. Saab's commitment is to act ethically in everything the company does in accordance with current legislation, the company's sustainable development work and Code of Conduct, and industry codes of conduct. Saab's Code of Conduct is based on the OECD's guidelines and the UN Global Compact. Saab has zero tolerance for bribery and clearly defined internal processes to prevent corruption.

The risk that exists when the company does business is of non-compliance within the organisation, at the supplier level or by the company's partners. Saab's responsibility for sustainable business extends beyond Saab to its partners and suppliers. To understand and be successful in different markets with different business cultures, it may be necessary to use marketing consultants and other advisors with local ties, which is customary in the industry. But consultants can be a risk factor with respect to corruption. Saab therefore tests, evaluates and endorses every cooperation centrally. A clearly defined decision-making process is followed, and every decision is preceded by a thorough analysis. Saab also provides training for the marketing consultants it retains. Completing this training and signing a commitment to follow Saab's guidelines is a prerequisite to sign a new contract.

Internal regulations and education

All of Saab's employees receive Code of Conduct training. Saab performs an annual review of the Code of Conduct, including internal rules on gifts, entertainment and sponsorships. In addition, all employees receive web-based anti-corruption training, which is designed to reflect the risks that arise in Saab's operations and is available in English and Swedish.

Employees in the marketing and sales organisation, commercial, procurement and project management receive training on the corruption risk assessment that has to be performed by project managers in connection with each deal. The training also covers current laws and the processes Saab uses to hire consultants and other advisors. Special business ethics training was provided to Saab's Board of Directors as well.

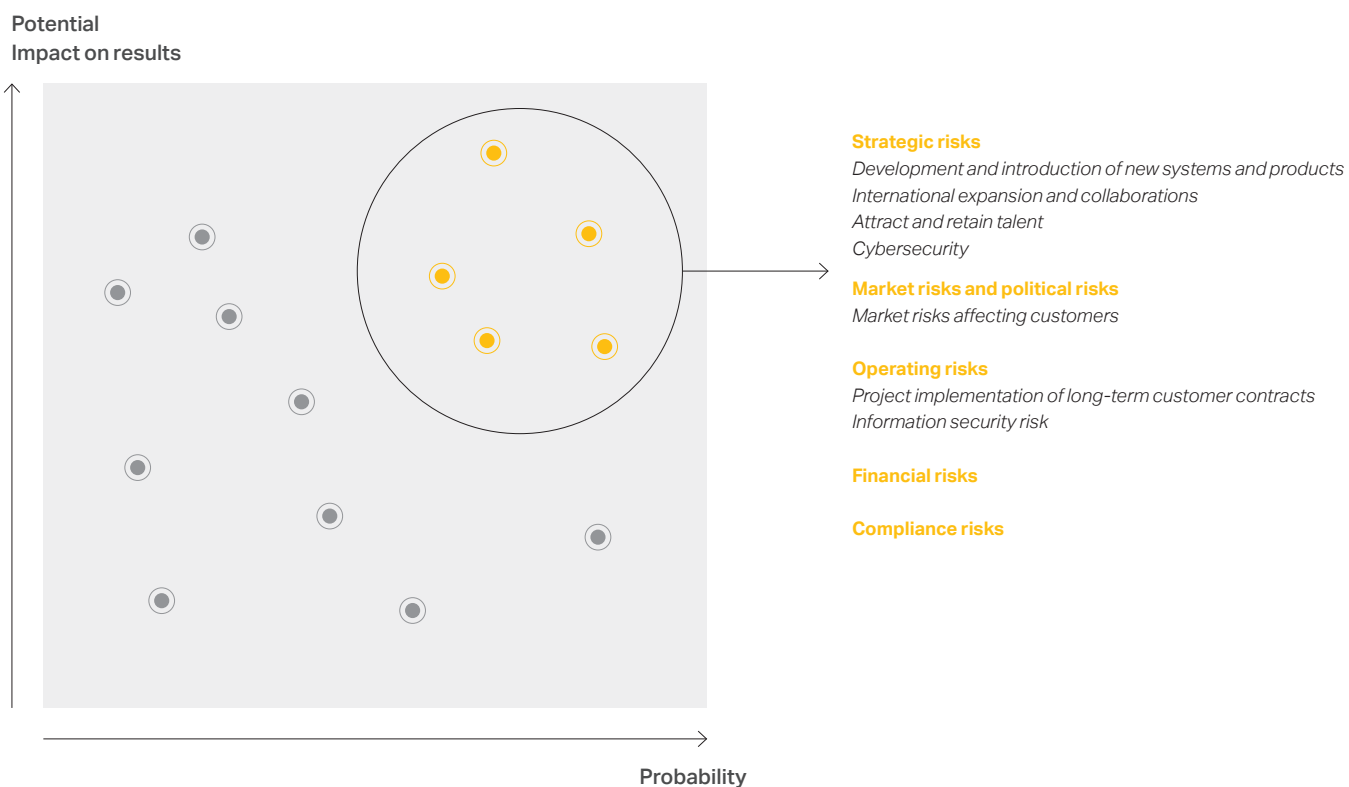
A programme has been in place for a couple of years whereby the

company's internal audit unit conducts an annual review of a number of randomly selected business relationships to verify that the process is in compliance and ensure that the counterparty is acting in line with Saab's values.

In 2018, Saab will expand and further strengthen measures to prevent corruption by setting clearer requirements on corruption risk

analyses even in connection with other business collaborations. The change is a step in Saab's continuous improvement process.

Saab has had a whistleblower system for a number of years. The system complements standard line reporting and provides the option of reporting online or by telephone. It is administered by an outside party and guarantees anonymity.



All risks are measured as the probability that the risk will be realised and the potential impact on results. Among these risks, Saab each year defines a number that individually or in combination can have a large impact on the Group.

Corporate governance report

Introduction

Saab AB is a Swedish public limited liability company and the company's Series B shares are listed on Nasdaq Stockholm.

Saab's corporate governance is based on the Swedish Companies Act, the Swedish Annual Accounts Act, Nasdaq Stockholm Rules for Issuers, the Swedish Code of Corporate Governance and other relevant Swedish and foreign laws, regulations and guidelines.

Saab has a Code of Conduct containing ethical guidelines in a number of areas on how the company and its employees are expected to act in contacts with customers, business partners and in society as well as their interaction with one another as colleagues. Saab's Code of Conduct is a part of the governance of Saab. For further information, see page 40.

Swedish Code of Corporate Governance

Since Saab's shares are traded on Nasdaq Stockholm and it must follow good practices in the securities market, Saab is also obligated to comply with the Swedish Code of Corporate Governance (the Code). The Code is available at www.bolagsstyrning.se.

Saab applies the Code and strives to maintain a high standard in its corporate governance. This Corporate Governance Report is prepared in accordance with the Annual Accounts Act and the Code, and describes how Saab applied the Code during the financial year 2017. Saab's website, www.saabgroup.com, has a special section for corporate governance issues, which is updated in accordance with the Code.

The Corporate Governance Report includes the Board of Directors report on internal control of the financial reporting which can be found at the end of this Corporate Governance Report.

This Corporate Governance Report has been reviewed by the company's auditor.

Saab did not deviate from the provisions of the Code in 2017.

① Shareholders' meeting and ownership structure

Pursuant to the Swedish Companies Act, the Shareholders' Meeting is the highest decision-making body in a company. At a Shareholders' Meeting, the shareholders are given the opportunity to exercise their voting rights. The Annual General Meeting shall be held within six months of the end of each financial year. Shareholders at the Annual General Meeting vote, for example, on resolutions relating to the annual report, dividend, Board election, Board fees, auditors' fees, adoption of remuneration guidelines for senior executives and, when applicable, election of the external auditor and other matters stipulated in the Companies Act. The preparations and execution of the Annual General Meeting 2017 were carried out in accordance with the Code, and the Annual General Meeting 2018 will also comply with the provisions of the Code. The Annual General Meeting of Saab was held on 5 April 2017 in Stockholm and attended by 484 shareholders, representing about 62 per cent of the total voting rights in the company. This year the Annual General Meeting will be held on 10 April 2018 in Linköping. For more information, see page 136.

On 31 December 2017, Saab's share capital amounted to SEK 1,746,405,504 and consisted of 1,907,123 Series A shares and 107,243,221 Series B shares. Series A shares have ten votes each, while Series B shares have one vote each. One Series A share may, on demand of the owner, be converted into one Series B share. The Saab shares are registered with Euroclear Sweden AB. The quota value per share is SEK 16. The Series B shares are listed on Nasdaq Stockholm on the Large Cap list. The Series A shares are not listed. All Series A shares are owned by Investor AB.

The Board of Directors has an authorisation from the Shareholders' Meeting to repurchase shares; see page 69 for more information. As of 31 December 2017, Saab held 2,326,562 of its own Series B shares, corresponding to 2.1 per cent of the share capital. For more information on the ownership structure, see page 20.

Largest shareholders, 31 December 2017

Source: Modular Finance	Share of capital, %	Share of votes, %
Investor AB, Sweden	30.0	40.3
Knut and Alice Wallenberg Foundation, Sweden	8.8	7.7
Swedbank Robur Funds, Sweden	4.5	4.0
AFA Försäkring, Sweden	2.2	2.0
Livförsäkringsbolaget Skandia	1.8	1.6
Handelsbanken Funds, Sweden	1.8	1.6
Norges Bank, Norway	1.7	1.5
Unionen, Sweden	1.7	1.5
Alliance Bernstein, USA	1.4	1.2
Fidelity, USA	1.4	1.2

② Nomination Committee

According to the Nomination Committee process adopted by the Annual General Meeting 2011, which applies until further notice, Saab shall have a Nomination Committee consisting of one representative of each of the four shareholders or groups of shareholders with the greatest number of votes, along with the Chairman of the Board. The names of the four shareholder representatives and the shareholders they represent shall be announced at least six months prior to the Annual General Meeting based on known voting rights as per the last business day of August in the year before the Annual General Meeting. The Nomination Committee process includes procedures, where necessary, to replace a member who leaves the committee before its work has been completed.

According to the process, the Nomination Committee shall prepare a proposal on the following issues to be presented to the Annual General Meeting for resolution:

- Chairman of the Shareholders' Meeting
- Board of Directors
- Chairman of the Board
- Remuneration to the members of the Board, allocated between the Chairman and other members of the Board, and remuneration for committee work
- Election of auditors, (if applicable), and
- Fees paid to Saab's auditors.

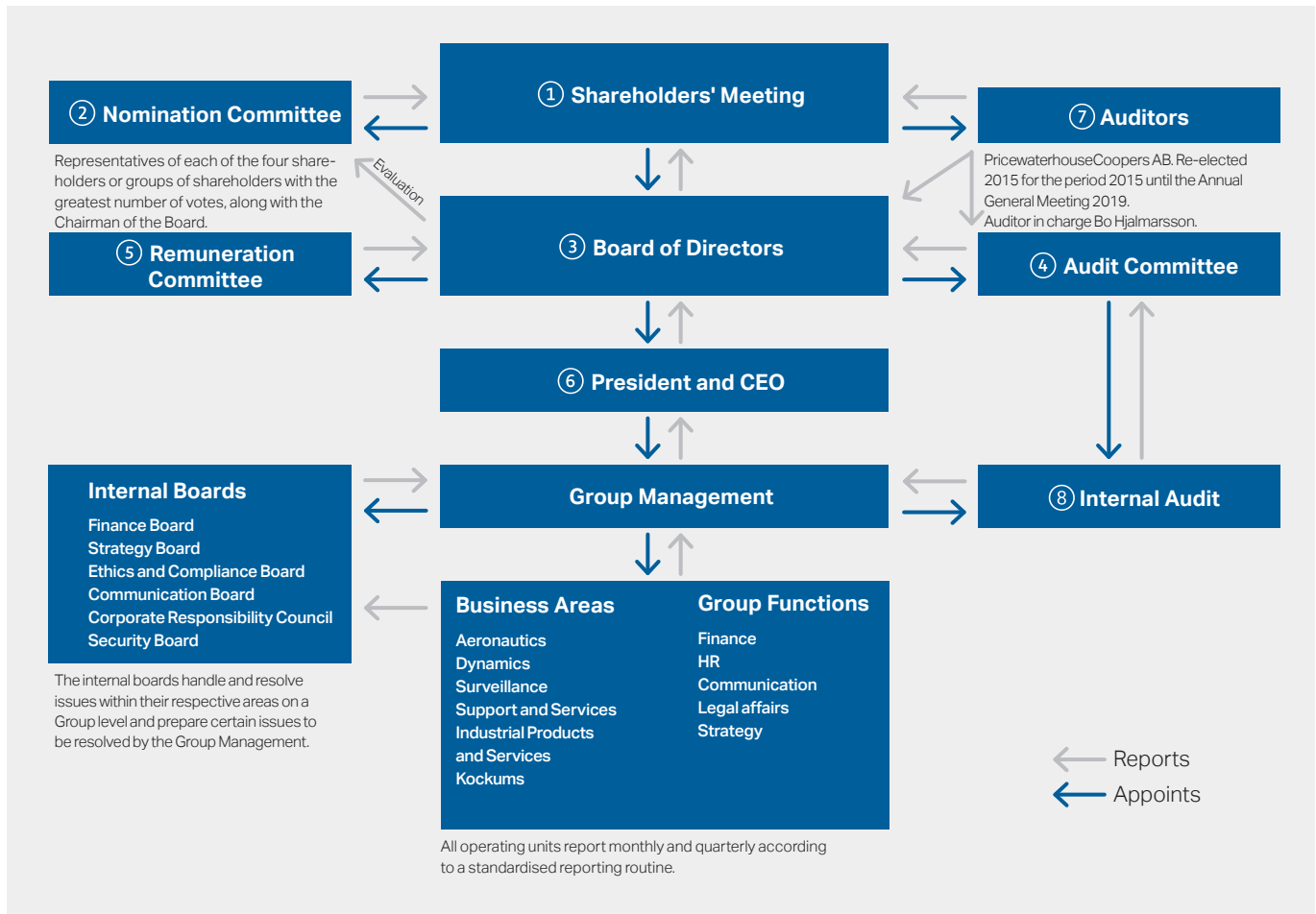
Ahead of the Annual General Meeting on 5 April 2017, the Nomination Committee issued a proposal for resolution on the Chairman of the Shareholders' Meeting, the Board of Directors and the remuneration to the Board and auditor. The Nomination Committee announced that it had applied rule 4.1 of the Code as a diversity policy with respect to the Board. The goal of the policy is that Saab will have a Board with an appropriate composition and with satisfying diversity and breadth in terms of gender, competence, age, experience and background.

Ahead of the Annual General Meeting on 10 April 2018, it was announced in a press release on 27 September 2017 that, in addition to Chairman of the Board Marcus Wallenberg, the following shareholder representatives had been appointed to the Nomination Committee (shareholder's name in parentheses): Petra Hedengran (Investor AB), Peter Wallenberg Jr (Knut and Alice Wallenberg Foundation), Jan Andersson (Swedbank Robur Funds) and Anders Algotsson (AFA Försäkring). Petra Hedengran is Chairman of the Nomination Committee.

These persons in the aggregate represent approximately 54 per cent of the votes in Saab based on the ownership structure as of 31 August 2017.

The proposals of the Nomination Committee have been presented in connection with the notice of the Annual General Meeting 2018.

Governance and reporting 2017



Members of the Nomination Committee for the Annual General Meeting 2018

Member	Representing	Share of votes, % 31 August 2017	Share of capital, % 31 August 2017
Petra Hedengran	Investor AB	40.3	30.0
Peter Wallenberg Jr	Knut and Alice Wallenberg Foundation	7.7	8.8
Jan Andersson	Swedbank Robur Funds	4.1	4.7
Anders Algotsson	AFA Försäkring	2.1	2.4
Marcus Wallenberg	Chairman of the Board of Saab AB		

③ Board of Directors

Composition of the Board

According to Saab's Articles of Association, the Board of Directors shall, in addition to the employee representatives, consist of at least six and not more than twelve members. Board members are elected annually by the Shareholders' Meeting. According to the resolution of the Annual General Meeting on 5 April 2017, Saab's Board of Directors shall consist of ten members elected by the Shareholders' Meeting with no deputies. In addition, the employee organisations appoint three Board members with an equal number of deputies.

At the Annual General Meeting on 5 April 2017, Håkan Buskhe, Sten Jakobsson, Sara Mazur, Bert Nordberg, Cecilia Stegö Chilò, Marcus Wallenberg and Joakim Westh were re-elected. Danica Kragic Jensfelt, Daniel Nodhäll and Erika Söderberg Johnson were elected as new Board members. Johan Forssell, Per-Arne Sandström and Lena Treschow Torell had declined re-election. Marcus Wallenberg was elected Chairman of the Board of Directors.

The current composition of the Board is the result of the Nomination Committee's work ahead of the Annual General Meeting in 2017 and the application of the diversity policy. The members of the Board of Directors of Saab represents a diversity and breadth in terms of competence, age, experience and background. In the aggregate, the Board combines the competence and experience that are important to Saab's operations and that the Nomination Committee considers are needed to meet Saab's future challenges and needs. Of the Board members elected by the shareholders' meeting, excluding the CEO, 44.4 per cent are women.

At the statutory Board meeting after the Annual General Meeting, Sten Jakobsson was elected Deputy Chairman of the Board. Among the Board members, only CEO Håkan Buskhe is employed by the company.

Information on remuneration to the members of the Board as resolved by the Annual General Meeting 2017 is set forth in note 10.

Members of the Board elected by the Shareholders' Meeting

Regulars

Marcus Wallenberg	Sara Mazur	Erika Söderberg Johnson
Håkan Buskhe	Daniel Nodhäll	Joakim Westh
Sten Jakobsson	Bert Nordberg	
Danica Kragic Jensfelt	Cecilia Stegö Chilò	

Employee representatives

Regulars

Stefan Andersson
Göran Gustavsson
Nils Lindskog

Deputies

Conny Holm
Magnus Gustafsson
Tina Mikkelsen

The Board members' other significant professional commitments, work experience, shareholdings etc. are set forth in the presentation of the Board of Directors on pages 64–65.

Independence requirement

The table below sets forth the members of the Board elected by the Shareholders' Meeting who, according to the provisions of the Code, are considered independent in relation to the company and its management, as well as in relation to the company's major shareholders.

Composition and independence of the Board in 2017

Member	Elected	Independent of the company/-management	Independent of major shareholders
Marcus Wallenberg	1992	Yes	No ¹⁾
Håkan Buskhe	2011	No ²⁾	Yes
Sten Jakobsson	2008	Yes	Yes
Danica Kragic Jensfelt	2017	Yes	Yes
Sara Mazur	2013	Yes	Yes
Daniel Nodhäll	2017	Yes	No ³⁾
Bert Nordberg	2016	Yes	Yes
Cecilia Stegö Chihö	2010	Yes	Yes
Erika Söderberg Johnson	2017	Yes	Yes
Joakim Westh	2010	Yes	Yes

¹⁾ Member of Investor AB's Board.

²⁾ President and CEO of Saab.

³⁾ Employed by Investor AB.

Accordingly, the company fulfils the requirement of the Code that a majority of the Board Members appointed by the Shareholders' Meeting are independent of the company and its management, and that at least two of them are independent of the major shareholders.

Work of the Board

According to the Board's rules of procedure, eight ordinary meetings shall normally be held each year, in addition to the statutory meeting. The Board may also meet when circumstances demand. During 2017, the Board held one statutory meeting, seven ordinary meetings and one extra meeting, a total of nine meetings. All of the Board meetings in 2017 were held in Stockholm, with the exception of the meeting in December that was held in Gothenburg in connection with the visit to Surveillance's operations.

The Board annually adopts rules of procedure, an instruction on the allocation of work between the Board and the CEO, and an instruction on financial reporting to the Board.

The rules of procedure contain provisions on the number of Board meetings, a list of matters to be considered at the meetings, reporting from the auditor, and special decisions to be taken at the statutory meeting. The rules of procedure and special instruction for the CEO set forth the delegation of responsibilities between the Board and its two committees, the Remuneration Committee and the Audit Committee, including the Chairman's role, as well as between the Board and the CEO. The instruction for the CEO sets forth the CEO's duties and authority, including matters which require a Board decision. Policies on investments, financing and reporting are also connected to the instruction.

During the year, the Board was assisted by the Secretary of the Board of Directors, General Counsel Annika Bärems, who is not a member of the Board.

The Board of Directors' meetings follow an agenda. Prior to each meeting, the Board Members receive documentation and supporting material for the issues on the agenda. At each Board meeting the CEO presents a Market and Operations Report. A financial rapport is also presented at each Board meeting and addressed in detail prior to the publication of the interim reports and year-end report. The Board regularly considers investments, research and development matters, organisational issues, management of significant risks, mergers and acquisitions, and company divestments. The Board's annual work includes deciding on the company's business plan and strategy, which

it addressed in September. The Board meeting every December considers the company's budget for the coming year. The Board then also addressed the performance target in the company's two performance share plans. During 2017, the Board especially focused on issues relating to major projects such as Gripen NG to Brazil, Gripen E to Sweden, A26 to Sweden and current AEW&C orders. It also worked during the year on other significant export and marketing issues. In 2017, the company arranged two special information sessions for Board members, where they received detailed information on e.g. Gripen, digitisation and focus countries.

Committee work represents an important part of the Board's work. After each meeting of the Audit and Remuneration Committees, the respective Chairman submits a report to the Board on the issues that were dealt with at the meeting. The Board then adopts resolutions on any matters prepared by the committees.

Board of Directors' committee work

④ Audit Committee

In accordance with the principles set out in the Swedish Companies Act and the Code, the Board of Directors has appointed an Audit Committee consisting of three members. The work of the Audit Committee is mainly of a preparatory nature, i.e. preparing matters for resolution by the Board. The Audit Committee has certain limited decision-making power. For example, it has established guidelines for services other than auditing that the company may procure from its auditors. The Audit Committee's members following the Annual General Meeting 2017 are Joakim Westh (Chairman of the Committee), Daniel Nodhäll and Erika Söderberg Johnson, whereof both Joakim Westh and Erika Söderberg Johnson are independent of the company and its management as well as of the major shareholders. Moreover, all members of the committee have accounting or auditing competence. The General Counsel, Annika Bärems, was Secretary to the Audit Committee during 2017.

The Audit Committee's assignment is set forth in the Board's rules of procedure. The Audit Committee shall, among other things, monitor the company's financial reporting and submit proposals to ensure the integrity of the financial reporting, monitor the efficiency of the company's internal control, internal audit and risk management in respect of the financial reporting, keep itself informed of the audit of the annual report and consolidated accounts, inform the Board of the results of the audit, review and monitor the auditors' independence, assist the Nomination Committee in preparing the proposal for the Shareholder Meeting's election of the auditors and in certain cases procure auditing services, in addition to establishing guidelines for services other than auditing that may be provided by the company's auditor. Moreover, the Audit Committee shall annually monitor and evaluate the effectiveness and appropriateness of the company's business ethics programme, including the Code of Conduct, and keep itself informed of material deviations or non-compliance with the company's regulations, including whistleblower reports, through regular reporting from the Ethics and Compliance Board. The company's external auditor participates in the meetings of the Audit Committee. During 2017, the Audit Committee focused especially on current issues relating to the company's financial position, the financial reporting, execution of major projects, budget, risk management, internal control and issues relating to the company's regulations.

The Audit Committee keeps minutes of its meetings, which are distributed to the other members of the Board. In 2017, the Committee held five meetings.

⑤ Remuneration Committee

In accordance with principles set out in the Code, the Board of Directors has appointed a Remuneration Committee consisting of three members. The Remuneration Committee's members following the

Annual General Meeting 2017 are Sten Jakobsson, Marcus Wallenberg and Bert Nordberg. Sten Jakobsson is the Chairman of the Committee. All are independent of the company and its management. The General Counsel, Annika Bäreemo, was Secretary to the committee during 2017.

The Remuneration Committee's tasks are to prepare the Board's resolutions on remuneration principles, remuneration and other terms of employment for the Group Management, monitor and evaluate variable remuneration programmes for the Group Management, both ongoing and those ended during the year, and monitor and evaluate the application of the remuneration guidelines for senior executives adopted by the Annual General Meeting as well as the current remuneration structures and levels in the company. The Remuneration Committee also proposes remuneration guidelines for senior executives, which, following resolution by the Board of Directors, are submitted to the Annual General Meeting. Matters concerning the employment terms, remuneration and other benefits for the CEO are prepared by the Remuneration Committee for resolution by the Board. The Remuneration Committee is responsible for interpretation and application of the remuneration guidelines for senior executives. The Remuneration Committee has no decision-making powers of its own. During 2017, the Remuneration Committee focused especially on issues relating to the company's long-term incentive programmes, including the proposed performance targets in the company's two performance related share plans as well as issues relating to the new complementing Special Projects Incentive.

The Remuneration Committee keeps minutes of its meetings, which are distributed to the other members of the Board. In 2017, the Committee held three meetings.

Evaluation

The Chairman of the Board annually performs an evaluation of the Board's work and possible improvements to the forms and effectiveness of its work. The evaluation is made by having the Board members respond to a questionnaire and give their opinions on the Board's performance. The results are compared with previous years and discussed at the Board meeting in December. The questionnaire consists of six parts covering the breadth of the Board's competence, how the Board conducts its work, the Chairman, the Board's composition, the cooperative atmosphere and possible improvements. The Chairman of the Board does not participate in the Board's discussion on the results of the Chairman's evaluation.

The Nomination Committee is informed of the results of the evaluation in connection with its proposal on the composition of the Board.

The Board continuously evaluates the CEO's work by monitoring the company's performance relative to established goals. It also evaluates the CEO's work through its members' responses to a questionnaire on the CEO in the areas of performance, organisation, people and leadership. The CEO does not participate in this evaluation.

6 Chief Executive Officer

The President and CEO of Saab, Håkan Buskhe, is also a member of the Board. His significant professional commitments outside the company, earlier positions and shareholding in the company are set forth in the presentation of the Board of Directors; see page 65. Håkan Buskhe does not own shares nor is he a partner in any company with which Saab has material business ties.

Guidelines for remuneration and other benefits for senior executives

The guidelines for remuneration and other benefits for senior executives are explained on page 68.

Attendance and board remuneration in 2017

Name	Audit Committee	Remuneration Committee	Board meetings attended ¹⁾	Committee meetings attended ²⁾	Board remuneration KSEK ³⁾	Audit Committee remuneration KSEK	Remuneration Committee remuneration	Total remuneration KSEK
Marcus Wallenberg		x	9	3	1 550		80	1 630
Håkan Buskhe			9					
Sten Jakobsson		x	9	3	640		135	775
Cecilia Stegö Chilò			9		570			570
Johan Forssell ⁴⁾	x		2	1				
Danica Kragic Jensfelt ⁵⁾			5		570			570
Sara Mazur			9		570			570
Daniel Nodhäll ⁶⁾	x		6	4	570	150		720
Bert Nordberg ⁷⁾		x	8	2	570		80	650
Per-Arne Sandström ⁸⁾	x		2	1				
Erika Söderberg Johnson ⁹⁾	x		6	4	570	150		720
Lena Treschow Torell ¹⁰⁾		x	2	1				
Joakim Westh	x		9	5	570	225		795

¹⁾ Of a total of 9 meetings in 2017.

²⁾ Of a total of 5 meetings of the Audit Committee in 2017 and 3 meetings of the Remuneration Committee in 2017.

³⁾ Refers to the fee resolved by the Annual General Meeting 2017 for the period until the Annual General Meeting 2018. The CEO Håkan Buskhe does not receive a fee.

⁴⁾ Left the Board at the Annual General Meeting 2017, when he declined re-election. Received fee for the period January-March 2017 of SEK 173,750 and participated in 2 Board meetings and 1 committee meeting prior to the Annual General Meeting 2017.

⁵⁾ Elected at the Annual General Meeting in April 2017, thereafter a total of 5 Board meetings of a total of 6 Board meetings.

⁶⁾ Elected at the Annual General Meeting in April 2017, thereafter a total of 6 Board meetings and 4 committee meetings.

⁷⁾ New member in the Remuneration Committee after the Annual General Meeting 2017, thereafter participated in all meetings.

⁸⁾ Left the Board at the Annual General Meeting 2017, when he declined re-election. Received fee for the period January-March 2017 of SEK 190,000 and participated in 2 Board meetings and 1 committee meeting prior to the Annual General Meeting 2017.

⁹⁾ Elected at the Annual General Meeting in April 2017, thereafter a total of 6 Board meetings and 4 committee meetings.

¹⁰⁾ Left the Board at the Annual General Meeting 2017, when she declined re-election. Received fee for the period January-March 2017 of SEK 173,750 and participated in 2 Board meetings and 1 committee meeting prior to the Annual General Meeting 2017.

7 Auditor

On behalf of the shareholders and in accordance with current laws and regulations, the external auditor examines the financial statements, consolidated accounts, annual report, and administration and management of the company by the Board of Directors and the CEO, and carries out the statutory audit of the corporate governance report and sustainability report. The Q1, Q2 and Q3 interim reports have been reviewed by the auditor as well. The auditor presents an auditors' report to the Annual General Meeting. On behalf of the Board, the company's auditor has also reviewed whether the performance targets for the Special Projects Incentive were met in 2017.

The Shareholders' Meeting elects the auditors. PricewaterhouseCoopers AB was re-elected as the auditor by the Annual General Meeting 2015, for the period 2015–2019.

PricewaterhouseCoopers (PwC)

- Elected by the Annual General Meeting 2015 for the period 2015 through the Annual General Meeting 2019.
- Bo Hjalmarsson, Authorised Public Accountant, auditor in charge. Other audit assignments: Telefonaktiebolaget LM Ericsson and SAS AB.

PricewaterhouseCoopers AB is a member of PwC's global network in around 150 countries. PwC has competence and experience in areas important to Saab: auditing of large and listed companies, accounting issues, industry experience and practice with international business.

The Audit Committee is responsible for ensuring that the independence of the auditor is maintained, including by staying updated on ongoing consulting assignments. The Audit Committee has also established guidelines on which services other than auditing the company may procure from its auditors. Where applicable, the Committee will approve such services in accordance with these guidelines.

Audit fees 2016–2017

Saab's auditor receives a fee according to approved invoices as resolved by the Annual General Meeting.

PwC has performed services on behalf of the company in 2017 in addition to its audit assignments by consulting on accounting and tax issues.

Auditors' fees for the Group 2016–2017

MSEK	2017	2016
Audit assignments:		
PwC	20	18
Others	3	3
Other assignments:		
PwC	3	5

For further information see note 11.

The Board's report on internal control of the financial reporting

The Board of Directors is responsible for internal control of financial reporting pursuant to the Swedish Companies Act and the Swedish Code of Corporate Governance. This report on internal control of financial reporting has been prepared pursuant to the provisions of the Swedish Annual Accounts Act.

Financial reporting

The Board of Directors documents how it assures the quality of the financial reports and communicates with the company's auditor. The Board assures the quality of the financial accounting through the Audit Committee. The entire Board reviews the interim reports before they are published. The Audit Committee follows up the internal control of the financial reporting on a regular basis. After each meeting of the Audit Committee, a report is submitted to the Board. For more information on the Audit Committee, see above.

The Audit Committee considers not only critical accounting questions and the financial reports presented by the company, but also matters of strategic importance, e.g. asset acquisitions and sales and how the company will obtain financing. It also covers issues such as internal control, regulatory compliance, any significant uncertainty in reported values, post-statement events, changes in assessments and evaluations, and other circumstances that may affect the quality of the financial statements. The auditor participated in all meetings of the Audit Committee in 2017.

The Board of Directors has met with the auditor to discuss their review of the company for the financial year 2017. The Board has also on the same occasion met with the auditor while not in the presence of the CEO or other members of the Group Management.

Internal control of financial reporting

Saab's framework for internal control of financial reporting is designed in accordance with the Committee of Sponsoring Organizations' (COSO) framework to assist the business in achieving its financial goals by monitoring risk exposure in a structured way. Moreover, internal control aims to provide reasonable assurance of the reliability of the internal and external financial reporting and to ensure that it is prepared in accordance with laws, applicable accounting standards and other requirements for listed companies.

Control environment

Internal control is based on Saab's organisation, where operating responsibilities and powers are delegated to the business areas and support units, which are also supported and monitored by Group functions with specific competencies. These Group functions issue guidelines that clarify responsibilities and powers and constitute part of the internal control in specific areas such as finance, accounting, investments and tenders.

Risk assessment

Saab's operations are characterised in large part by the development, production and supply of technologically advanced hardware and software for customers around the world. Slightly more than half of sales are outside Sweden. As a rule, projects entail considerable sums of money, stretch over long periods of time and involve technological development or refinement of products.

For Saab, the material risk areas in financial reporting are project accounting, business combinations and goodwill, development costs, hedging and other financial transactions, taxes, and accounting for pensions. In addition to the risk of inaccurate financial reporting, the processes are also assessed on the basis of the risk of exposure to any improprieties.

Group Finance continuously coordinates an overall risk assessment of the financial reporting. This process involves self-assessments by Group functions and business areas. The current risk

assessment is reviewed by Saab's Internal Audit, which adjusts its annual audit plan accordingly. Information on developments in essential risk areas as well as a report on planned and executed activities in these areas are provided to Saab's Audit Committee on a regular basis. The Board of Directors, through the Audit Committee and Internal Audit, is informed of the status of the self-assessment. Saab's risk assessment and self-assessment are also communicated to Saab's external auditors on a regular basis.

Each business area designs its risk management routines and structure for internal control based on overall routines and Group guidelines. The most significant risks identified in financial reporting are managed through control structures within the business areas and Group staffs and are based on Saab's minimum requirements for good internal control in the financial reporting processes.

Information, communication and control activities

Internal control within Saab is based on clearly defined areas of responsibility and authority, Group guidelines, processes and controls. Uniform handling of financial reporting is assured by adopting and issuing Group guidelines approved by the CEO or by function managers appointed by the CEO. All Group directives are updated on an ongoing basis, are clearly communicated and are available through Saab's internal enterprise management system, which is available on the internal website.

The control activities are both manual and automated and include authorisation routines, account reconciliations, process compliance, performance analyses and qualifications

Monitoring and evaluation

All operating units report monthly and quarterly according to a standardised routine. Quarterly reports are the basis of Saab's external financial reporting. In the operating reporting, each business area is

measured in terms of profitability and financial position and consolidated to measure the Group's overall profitability and financial position. Accounting managers and controllers are in regular contact with Group Finance concerning any questions relating to finance and accounting. To assist in evaluating internal control in each business area, Saab uses the previously mentioned self-assessments to identify and test key control functions in each business process. The Internal Audit department, part of the internal control structure, is a dedicated resource for independent review of the effectiveness of the internal control processes. At the same time, Internal Audit supports the locally applied internal control process and the central controller staff. Together they serve as a resource for monitoring financial reporting routines.

Internal Audit's tasks are initiated by the Audit Committee or on its own initiative and then reported to the Committee. From time to time, Group Management and its members can also assign work to Internal Audit. The Audit Committee reports on the status of the financial controls and the self-assessment to the Board of Directors.

Activities in 2017

Controls were performed in 2017 according to a predefined schedule and two self-assessments were conducted. The results of completed controls and self-assessments are an integral part of Saab's financial closing process and are reported to Group Management and the Audit Committee. During the year, the Group's Internal Audit unit and our auditors reviewed the Group's work with internal control.

A web-based tool was introduced in 2017 where all controls are defined and reports from completed controls are stored. The tool has made the internal control process more efficient and made it easier to analyse completed controls. Saab's framework for internal control of financial reporting was expanded during the year to include activities.

Board of Directors



Standing from left:

Erika Söderberg Johnson

Member of the Board since 2017
Member of Saab's Audit Committee
Chief Financial Officer (CFO), Biotage AB
Born 1970
M.Sc. in Economics and Business,
Stockholm School of Economics
Shares in Saab: 100

Other board commitments

Board member of Qliro Group AB

Former employment and positions:

Board member of Sectra AB and MedCap AB
CFO at Karo Bio AB, Affibody AB and Global Genomics AB
Investment Banking Advisor at Enskilda, SEB

Nils Lindskog

Member of the Board since 2016 and
Deputy Board member 2007-2016
Member of the Local Swedish Association
of Graduate Engineers at Saab AB,
Gothenburg
Born 1955
M.S.E.E. from Chalmers University of
Technology
Shares in Saab: 957

Stefan Andersson

Member of the Board since 2008
President of the Local Salaried Employees' union Unionen at Saab Dynamics AB,
Linköping
Born 1974
B.Sc.
Shares in Saab: 3,104

Cecilia Stegö Chiló

Member of the Board since 2010
Adviser to management of corporations
and organisations
Born 1959

Studies in political science and economics
Shares in Saab: 1,500

Other board commitments:

Chairman of Gotlands Bryggeri AB; Board
member of Spendrups Bryggeri AB, Invest-
ment AB Spiltan, the Yump Foundation and
Centre for Business History

Former employment and positions:

Vice Chairman of Fortum Värme AB;
Board member of the Expo Foundation,
AMF Fonder, Länsförsäkringar Liv, Linköping
Universitetets Holding AB and Marginalen
Kredit och Finans; CEO of the Free Enter-
prise Foundation of Sweden and Head of
the think tank Timbro; Cabinet member and
Head of the Ministry of Culture; Editorial
writer and foreign politics commentator
at Svenska Dagbladet; Commentator at
Sveriges Radio; Swedish Employers' Con-
federation; Swedish Conservative Party

Magnus Gustafsson

Deputy Board member since 2016
President of the Local Swedish Associa-
tion of Graduate Engineers at Saab AB in
Linköping/Tannefors
Born 1965
M.Sc. in Applied Physics and Electrical Engi-
neering, Linköping Institute of Technology
Shares in Saab: 545

Conny Holm

Deputy Board member since 2017
Board member 2008-2016 and Deputy
Board member 1995-2007
President of the local trade union IF Metall
at Avionics Systems, Jönköping
Born 1947
Upper secondary engineering education
Shares in Saab: 852

Bert Nordberg

Member of the Board since 2016
Member of Saab's Remuneration
Committee
Chairman of Vestas Wind Systems A/S
Born 1956
Engineer
Shares in Saab: 8,500

Other board commitments:

Board member of AB Electrolux, Svenska
Cellulosa Aktiebolaget (SCA) and Essity
Aktiebolag (publ)

Former employment and positions:

Board member of Skistar AB and Axis AB
Chairman of Imagination Technologies
Group Plc. and Sony Mobile Communi-
cations AB; Chairman and CEO of Sony
Ericsson Communications AB
Various senior positions within the
Ericsson group
Various positions within Data General Cor-
poration and Digital Equipment Corporation

Marcus Wallenberg

Chairman of the Board since 2006
Deputy Chairman of the Board 1993-2006
and Member of the Board since 1992
Member of Saab's Remuneration
Committee
Born 1956
B.Sc. of Foreign Service
Lieutenant in Royal Swedish Naval
Academy
Shares in Saab: 100,000

Other board commitments:

Chairman of SEB and FAM AB; Board
member of AstraZeneca PLC, Investor AB,
Temasek Holding Ltd and the Knut and Alice
Wallenberg Foundation

Former employment and positions:

Chairman of Electrolux AB and LKAB; Board
member of Stora Enso Oyj and EQT Hol-
dings AB; President and CEO of Investor AB;
Director, Stora Feldmühle AG, Düsseldorf;
Skandinaviska Enskilda Banken, Stockholm
and London; Citicorp (Hong Kong), Citibank
N.A. (New York)

Göran Gustavsson

Member of the Board since 2017 and
Deputy Board member 1995-2000 and
2008-2016
President of the local trade union IF Metall
at Saab AB, Linköping
Born 1953
Shares in Saab: 2,213

Danica Kragic Jensfelt

Member of the Board since 2017
Professor and Vice-Dean, the School of
Computer Science and Communication,
Royal Institute of Technology (KTH)
Director, the Centre for Autonomous
Systems, KTH
Born 1971
Docent, Computer Science, KTH
Ph.D., Computer Science, KTH
M.Sc., Mechanical Engineering, Technical
University of Rijeka, Croatia
Honorary Doctorate, Lappeenranta,
University of Technology
IEEE Fellow
Shares in Saab: 500

Other board commitments:

Board member of FAM AB and the Institute
for Future Studies
Member of Scientific Advisory Board,
Max Planck Institute for Intelligent Systems
Member of the Royal Swedish Academy of
Engineering Sciences (IVA), Division
of Electrical Engineering
Member of the Royal Swedish Academy
of Sciences (KVA)



Member of Administrative committee, IEEE Robotics and Automation Society

Former employment and positions

Member of the Young Academy of Sweden
Chairman of STINT, Natural Sciences and Technology
Researcher at Columbia University, Brown University, Johns Hopkins University and INRIA Rennes
Chairman of IEEE RAS Technical Committee on Computer and Robot Vision,
Board member of Research Policy Committee at the KVA

Håkan Buskhe

Member of the Board since 2011
President and CEO of Saab AB
Born 1963
M.Sc., Licentiate of Engineering
Employed 2010
Shares in Saab: 46,505

Other board commitments:

Board member of Nefab AB
Vice Chairman of ASD – AeroSpace and Defence Industries Association of Europe

Former employment and positions:

Board member of Vattenfall AB and Teknikföretagen; Chairman of Green Cargo; President and CEO of E.ON Nordic AB and E.ON Sweden AB; Executive Vice President of E.ON Sweden AB; Senior Vice President of E.ON Sweden AB; CEO of Land Operations, Schenker AG, CEO Schenker North, CEO Schenker-BTL AB, CEO Storel, CEO Carlsberg and Coca-Cola Distribution AB; Production Director, Carlsberg Sweden

Sara Mazur

Member of the Board since 2013
Vice President and Head of Ericsson Research, Ericsson AB
Born 1966
Associate Professor Electrical Engineering, Royal Institute of Technology (KTH); Ph.D., Electrical Engineering, KTH; M.Sc., Electrical Engineering, KTH; Honorary Doctorate, Luleå University of Technology
Shares in Saab: 2,000

Other board commitments:

Vice Chairman of Wallenberg Autonomous System and Software Program (WASP); Member of the Board of Chalmers Tekniska Högskola AB, Combient AB, Nobel Media AB and SICS North Swedish ICT AB and the Royal Swedish Academy of Engineering Sciences (IVA), Division XI - Education and Research

Former employment and positions:

Vice President of System Management, Business Unit Networks, Ericsson AB; Director of Wireless Access Networks Research, Ericsson Research, Ericsson AB; Member of the Board and Strategic Counsel of the School of Electrical Engineering KTH, the Board of Integrated Transport Research Lab KTH and Wireless@KTH

Daniel Nodhäll

Member of the Board since 2017
Member of Saab's Audit Committee
Head of Listed Core Investments, Investor AB
Born 1978
M.Sc. in Economics and Business, Stockholm School of Economics
Shares in Saab: 2,000

Other board commitments:

Board member of Husqvarna AB

Former employment and positions

Board member of Kunskapsskolan Education Sweden AB,
Investment Manager, Head of Capital Goods at Investor AB

Joakim Westh

Member of the Board since 2010
Chairman of Saab's Audit Committee
Born 1961
M.Sc. in Aeronautics, Royal Institute of Technology (KTH); M.Sc. in Aerospace Engineering, Massachusetts Institute of Technology (MIT)
Shares in Saab: 8,000

Other board commitments:

Chairman of Amexci AB
Board member of CGI Group Inc., Absolent Group AB and Swedish Match AB

Former employment and positions:

Chairman of EMA Technology AB and Absolent AB; Board member of Arcam AB, Intrum Justitia AB, Rörvik Timber AB, Telelogic AB and VKR Holding A/S; Deputy Board member of Sony Ericsson Mobile Communications AB; Senior Vice President of Group Function Strategy & Operational Excellence, LM Ericsson AB and member of the Group Management Team, LM Ericsson AB; Group Vice President and member of the Executive Management Group, Assa Abloy AB; Partner, McKinsey & Co. Inc.

Sten Jakobsson

Member of the Board since 2008 and Deputy Chairman since 2010
Chairman of Saab's Remuneration Committee
Born 1949
M.Sc. in Engineering
Shares in Saab: 5,500

Other board commitments:

Chairman of Power Wind Partners AB, Board member of Xylem Inc. and Arla Plast AB

Former employment and positions:

Chairman of LKAB; Board member of Stena Metall AB and FLSmidth A/S; President and CEO of ABB Sweden; Executive Vice President of Asea Brown Boveri AB, Sweden; Business Area Manager, Business Area Cables; President of ABB Cables AB; President of Asea Cylinda; Production Manager for Asea Low Voltage Division; Asea central staff – Production trainee

Tina Mikkelsen

Deputy Board member since 2016
President of the Local Salaried Employees' union, Unionen, at Saab AB, Stockholm
Born 1973
Electrical Engineering, Stockholms Tekniska Institut (STI)
Shares in Saab: 1,709

Auditors

PricewaterhouseCoopers AB

Bo Hjalmarsson

Authorised Public Accountant, auditor in charge

Information on shareholdings includes holdings of closely affiliated natural persons and legal entities, where applicable.

Group management



Ann-Kristin Adolfsson

Senior Vice President and Chief Strategy Officer, Head of Group Strategy
Born 1962
MBA
Employed 1986
Shares in Saab: 2,297

Görgen Johansson

Senior Vice President and Head of Business Area Dynamics
Born 1964
MBA
Employed 2004
Shares in Saab: 7,932

Gunnar Wieslander

Senior Vice President and Head of Business Area Kockums
Born 1962
Naval officer
Employed 2015
Shares in Saab: 745

Jessica Öberg

Senior Vice President and Head of Industrial Products and Services
Born 1972
Employed 1996
Shares in Saab: 2,087

Ellen Molin

Senior Vice President and Head of Business Area Support and Services
Born 1973
MBA
Employed 2006
Shares in Saab: 501

Magnus Örnberg

Executive Vice President and Chief Financial Officer (CFO)
Born 1965
MBA
Employed 2012
Shares in Saab: 12,478



Lena Eliasson
Senior Vice President and Head of Group Human Resources
Born 1967
M.Sc. in Engineering
Employed 2012
Shares in Saab: 7,725

Håkan Buskhe
President and Chief Executive Officer (CEO)
Member of the Board of Saab AB since April 2011
Born 1963
M.Sc., Licentiate of Engineering
Employed 2010
Shares in Saab: 46,505

Sebastian Carlsson
Senior Vice President and Head of Group Communication
Born 1984
Employed 2012
Shares in Saab: 157

Micael Johansson
Deputy CEO, Senior Executive Vice President
Born 1960
B.Sc.
Employed 1985
Shares in Saab: 8,863

Anders Carp
Senior Vice President and Head of Business Area Surveillance
Born 1971
Employed 2001
Shares in Saab: 3,277

Jonas Hjelm
Senior Vice President and Head of Business Area Aeronautics
Born 1971
Employed 2006
Shares in Saab: 6,870

Annika Bärems
Senior Vice President and Head of Group Legal Affairs, General Counsel, Secretary of the Board of Directors
Born 1964
LLB
Employed 2012
Shares in Saab: 7,193

The following changes in Group Management took effect during 2017:

During the first quarter Ulf Nilsson resigned as Head of Business Area Aeronautics and was replaced by Jonas Hjelm, former Head of Business Area Support and Services. During the third quarter Ellen Molin was appointed the new Head of Business area Support and Services and Jessica Öberg was appointed the new Head of Business Area Industrial Products and Services. Dan Jangblad, former Head of Business Area Industrial Products and Services, left Group Management to take a position as Senior Advisor to the CEO.

Other information

Guidelines for remuneration and other terms of employment for senior executives 2017

Pursuant to the Swedish Companies Act, the Board of Directors shall propose remuneration guidelines for the company's senior executives to the Annual General Meeting. The Annual General Meeting 2017 adopted the Board's proposed guidelines for senior executives as described below.

The senior executives comprise the CEO and other members of the Group Management. The members of this group are presented on the company's website. In special cases these guidelines apply to Saab AB Board members, as described below.

Saab shall offer market terms in order to recruit and retain senior executives. To the greatest extent possible, remuneration structures shall be characterised by predictability with respect to both the cost for the company and the benefit for the employee. They shall be based on factors such as position, competence, experience and performance. Benchmarking against comparable industries and markets shall be practiced.

The guidelines are based primarily on agreements in effect between Saab AB and individual executives. No board fees are paid to members of the Group Management for participation on the boards of the business areas or Saab's subsidiaries.

The Remuneration Committee is responsible for developing and reviewing remuneration and other employment terms for the Group Management.

The Board is entitled to divert from the guidelines if there are reasonable grounds to do so in specific cases.

These guidelines apply as of the Annual General Meeting 2017.

Fixed remuneration

Cash remuneration shall consist of a fixed salary. The fixed salary shall be reviewed annually as per 1 January for all members of the Group Management. Fixed salary shall be set at market terms and based on factors such as position, competence, experience and performance.

Variable remuneration

Saab's operations are dominated by the development of complex products and systems. The products are marketed, further developed, produced and maintained over long periods – in some cases, three or four decades – and normally involve significant investments and long-term relationships with customers around the world. It is important therefore that senior executives share a long-term view and commitment to the company's

operations and profits. As a result, long-term incentives are particularly well-suited to Saab and its shareholders, and consist of a share-based incentive programme.

The CEO and senior executives are entitled to participate in the long-term share based incentive programmes adopted by the Shareholders' Meeting.

One-off agreements on variable cash remuneration may be made in extraordinary circumstances, provided that such agreements are made solely on an individual basis for recruitment or retention purposes or as compensation for extraordinary efforts above and beyond the individual's ordinary duties. Such remuneration shall never exceed the fixed annual salary and shall not be paid more than once a year per individual. Resolutions on such cash remuneration shall be made by the Board based on a proposal from the Remuneration Committee.

Variable cash remuneration shall not be paid under any other circumstances.

Other benefits

All members of the Group Management may be entitled to other benefits in accordance with local practice. The benefits shall contribute to facilitating the executive's discharge of his or her duties. These benefits shall not constitute a material part of total compensation and shall be equivalent to what is considered reasonable in relation to market practice. Other benefits may for example be a company car, travels, overnight accommodation and medical insurance.

Pension

The retirement age is minimum 62 under pension agreements entered into after 1 January 2005. In addition to the ITP agreement, the pension is premium based and provisions are made annually. For the CEO the provision is limited to 35 per cent of fixed salary. For other senior executives the percentage is based on "Saab Plan" regulation. According to this plan, the percentage is dependent on the number of years remaining until retirement age upon joining the plan. The aggregate insurance balance should cover a targeted pension from age 65 of approximately 32.5 per cent of salary levels between 20 and 30 basic income amounts and approximately 50 per cent of segments above 30 basic income amounts.

All senior executives may also be entitled to enhanced disability pension and survivors' pension.

Miscellaneous terms

All Group Management executives, including the CEO, may terminate their employment with a maximum of six months' notice. If employ-

ment is terminated by Saab the notice period is six months, after which severance equal to one year's salary is paid. An additional year's salary may be paid in the event no new employment has been obtained during the first 18 months from the time notice of termination was served.

With respect to employment agreements signed after 1 January 2005 that are terminated by Saab, a maximum severance pay of 18 months can be payable in addition to the normal six-month notice period. The notice period and severance pay in total shall not exceed 24 months.

Severance pay is normally reduced by income from other employment during the corresponding time.

Consulting fees to Board members

In special cases Saab AB's shareholder-elected Board Members may receive a fee for services performed within their respective areas of expertise, separately from their Board duties and for a limited period of time. Compensation for these services shall be paid at market terms.

Information in the Annual Report note 10

Note 10 of the Annual Report includes a description of current remuneration for senior executives, including fixed and variable compensation, long-term incentive programmes and other benefits.

Incentive programme proposed to the Annual General Meeting 2017

The Board of Directors proposed that the Annual General Meeting 2017 resolve to adopt long-term incentive programme 2017/2018, consisting of Share Matching Plan 2018, Performance Share Plan 2018 and Special Projects Incentive 2017. The Annual General Meeting resolved in accordance with the Board's proposal.

Board of Directors proposal for guidelines for remuneration and other terms of employment for senior executives, applicable as of the Annual General Meeting 2018

The Remuneration Committee has evaluated the remuneration for Saab AB senior executives, including variable remuneration, the application of the remuneration guidelines and other employment terms for senior executives resolved at the Annual General Meeting 2017, and the current remuneration structures and remuneration levels in the company.

The Remuneration Committee has recommended that the Board of Directors propose that the Annual General Meeting approve remuneration guidelines with the same terms and conditions as those adopted by the

Annual General Meeting 2017. Against this background, the Board of Directors proposes that the Annual General Meeting 2018 adopt guidelines for remuneration and other terms of employment for senior executives with unchanged terms and conditions.

Incentive programme proposed to the Annual General Meeting 2018

The Board of Directors proposes that the Annual General Meeting 2018 resolve to adopt long-term incentive programme 2019 (LTI 2019), consisting of Share Matching Plan 2019, Performance Share Plan 2019 and Special Projects Incentive 2019. In addition to LTI 2019, it is proposed that the Annual General Meeting adopt Special Projects Incentive 2018 as a complement to Performance Share Plan 2018, which was adopted by the Annual General Meeting 2017. The terms and conditions and costs of the above-mentioned programmes are presented in the Board's complete proposal to the Annual General Meeting.

Saab's long-term incentive programmes and authorisation to repurchase shares

The Annual General Meeting of Saab has resolved over a number of years to offer a long-term incentive programme consisting of two parts: Share Matching Plan and a Performance Share Plan. The reason is that the Board considers it important that Saab's employees share a long-term interest in the appreciation of the company's shares.

In April 2017, the Annual General Meeting also resolved to introduce a third programme, Special Projects Incentive, as a complement to the Performance Share Plan. The programmes are now named based on the calendar year, corresponding to the savings period.

The long-term incentive programme comprises not more than 1,340,000 Series B shares in Saab per year. Since 2007, Saab offers permanent employees the opportunity to participate in the Share Matching Plan. Employees can withhold up to 5 per cent of their gross base salary to purchase Series B shares on Nasdaq Stockholm during a twelve-month period. Provided that a participant retains the purchased shares for three years after the investment date and is still employed by the Saab Group, the participant will be allotted a corresponding number of Series B shares free of charge. Currently, Share Matching Plans 2014–2018 are ongoing.

Since 2008, Saab also has a Performance Share Plan for senior executives and key employees. In April 2014, Saab's Annual General Meeting resolved to modify the Performance Share Plan to increase interest among the target group. The Performance Share Plan now covers a maximum of 175 key employ-

ees, including the CEO. Participants can also save up to 7.5 per cent of their base salary to purchase Series B shares during a twelve-month period, while participating in the Share Matching Plan as well, but only up to a maximum of 5 per cent of base salary. Depending on which category they belong to, participants are entitled to 2–7 performance shares for each purchased share.

Participants are entitled to performance matching shares, free of consideration, provided that the performance targets are achieved and the participants have retained the purchased shares for three years after the investment date and remain employed by the Saab Group. The number of performance shares is linked to the performance targets established by the Board of Directors. The terms for the performance matching are based on three independent targets for a one-year performance period: organic sales growth, EBIT margin and free cash flow. The relative apportionment between the targets is as follows: 30 per cent of the allotment is attributable to organic sales growth, 40 per cent to EBIT margin and 30 per cent to free cash flow. The performance targets are established by the Board of Directors with a minimum and maximum level for each target. The Board of Directors decides on the performance matching after the end of the one-year performance period. If the maximum levels for the performance targets are reached or exceeded, the performance matching will amount to (and not exceed) the maximum of 360,000 shares. If the performance outcome falls short of the maximum level but exceeds the minimum level, a linear proportionate performance matching will occur. No performance matching will occur if the performance outcome is equal to or below the minimum level. Before the performance matching is ultimately determined, the Board of Directors will assess whether it is reasonable in relation to the company's financial results and position, conditions in the stock market and other circumstances. If it determines that this is not the case, the Board of Directors will reduce the number of performance shares that will be matched to the lower number of shares it considers appropriate. Performance shares are allotted three years after the investment. Currently, Performance Share Plans 2014–2018 are ongoing.

In April 2017, Saab introduced a new programme, the Special Projects Incentive, as a complement to the Performance Share Plan. The Special Projects Incentive is directed at a maximum of 45 key employees, including the CEO. Participation in the new programme presupposes participation in the Performance Share Plan or the Share Matching Plan. The

programme entitles the employee to allotment of performance shares corresponding to 15–52.5 per cent of the cash base salary for the current financial year depending on group affiliation, provided that the employment remains for three years and that performance targets are reached. Performance shares are allotted after three years based on the achievement during the current financial year of eight equally weighted performance targets related to Saab's special projects within selected product areas. For the CEO and other members of the Group Management, the total allotment of shares in the new programme and the Performance Share Plan together amounts to a maximum of 75 per cent of the cash base salary for the CEO and 60 per cent of the cash base salary for the other members of the Group Management. The programme covers a maximum of 80,000 Series B shares in Saab.

The Annual General Meeting 2017 also resolved to authorise the Board of Directors to decide on acquisition of a maximum of 1,340,000 Series B shares to secure delivery of shares to participants in Saab's long-term Share Matching Plan, Performance Share Plan and Special Projects Incentive, for subsequent transfers on the stock exchange to cover certain costs associated with LTI 2017/2018, mainly social security costs. Repurchases may be made on Nasdaq Stockholm.

Further, the Annual General Meeting 2017 also resolved to authorise the Board of Directors to decide on acquisition of Series B shares up to a maximum of 10 per cent of the total number of shares in the company. The purpose of the authorisation is to be able to adjust the company's capital structure and thereby contribute to an increased shareholder value as well as to enable a continuous use of acquired shares in connection with potential acquisitions of companies and for the company's share-related incentive programmes. Repurchases may be made on Nasdaq Stockholm.

The Board of Directors did not decide in 2017 to exercise either of the two repurchase mandates. Both repurchase mandates apply until the Annual General Meeting 2018.





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Consolidated income statement

MSEK	Note	2017	2016
Sales	4, 5	31,394	28,631
Cost of goods sold		-23,946	-21,748
Gross income		7,448	6,883
Other operating income	6	104	201
Marketing expenses		-2,430	-2,223
Administrative expenses		-1,493	-1,364
Research and development costs		-1,348	-1,592
Other operating expenses	7	-87	-70
Share in income of associated companies and joint ventures	21	-39	-38
Operating income	5, 11, 12	2,155	1,797
Financial income		121	90
Financial expenses		-272	-276
Net financial items	13	-151	-186
Income before taxes		2,004	1,611
Taxes	15	-566	-436
Net income for the year		1,438	1,175
Attributable to:			
Parent Company's shareholders		1,407	1,133
Non-controlling interest		31	42
Earnings per share before dilution (SEK)	16	13.20	10.67
Earnings per share after dilution (SEK)	16	13.10	10.60

ORDERS

Order bookings were higher in 2017 than in 2016, mainly due to large orders received in 2017 related to the Airborne Early Warning and Control (AEW&C) segment.

Orders received, where the total order value exceeded MSEK 100, represented 65 per cent (45) of total order bookings.

In total Saab received orders amounting to SEK 30.8 billion of which SEK 10.9 billion (12.0 billion) was attributable to orders less than MSEK 100.

In all, 86 per cent (84) of order bookings was attributable to defence-related operations and 55 per cent (59) was attributable to markets outside Sweden.

During 2017, index and price changes had a positive effect on order bookings of MSEK 812 compared to MSEK 727 during 2016.

The order backlog at the end of the year amounted to MSEK 106,849 compared to MSEK 107,606 at the beginning of the year.

Order backlog duration:
2018: SEK 25.0 billion
2019: SEK 20.0 billion
2020: SEK 17.0 billion
2021: SEK 17.0 billion
After 2021: SEK 27.8 billion

SALES PER REGION

MSEK	2017	2016
Sweden	13,218	12,389
Rest of Europe	4,549	4,981
North America	2,791	2,740
Latin America	2,653	2,014
Asia	6,691	5,107
Africa	449	495
Australia, etc.	1,043	905
Total	31,394	28,631

SALES PER MARKET SEGMENT

MSEK	2017	2016
Air	14,797	12,787
Land	6,386	6,453
Naval	5,466	4,897
Civil Security	2,166	1,987
Commercial Aeronautics	1,765	1,987
Other	814	520
Total	31,394	28,631

SALES

Sales increased during the year in every business area and amounted to MSEK 31,394 (28,631). The large part of the increase is related to major orders within airborne surveillance systems and support operations and increased sales in the business area Dynamics.

Sales in markets outside Sweden amounted to MSEK 18,176 (16,242), or 58 per cent (57) of total sales. Sales to Asia increased by 31 per cent and Latin America increased by 32 per cent compared to 2016. 84 per cent (83) of sales was related to the defence market.

INCOME, MARGIN AND PROFITABILITY

The gross margin in 2017 was 23.7 per cent (24.0).

Total depreciation and amortisation amounted to MSEK 839 (946). Depreciation of tangible fixed assets amounted to MSEK 555 (493).

Total expenditures in research and development (R&D) amounted to MSEK 7,348 (7,421), or about 23 per cent (26) of sales. Internally funded R&D expenditures amounted to MSEK 2,059 (2,065), of which MSEK 871 (784) was capitalised. The capitalisation of development costs is mainly related to GlobalEye. Internally funded R&D expenditures are mainly related to radar and sensor technology and to the T-X program. Development expenditures in the T-X program, although considerable, decreased in 2017 compared to 2016.

Amortisation of intangible fixed assets amounted to MSEK 284 (453), of which amortisation of capitalised development expenditures amounted to MSEK 160 (311). The share of income in associated companies and joint ventures amounted to MSEK -39 (-38).

Operating income amounted to MSEK 2,155 (1,797) with an operating margin of 6.9 per cent (6.3). Profitability strengthened in areas related to airborne surveillance systems due to the high level of activity. Despite a somewhat lower operating margin in the fourth quarter, the business area Dynamics saw an improved operating margin owing to high capacity utilisation throughout its operations. Within Dynamics, the Training and Simulation segment delivered a strong profit improvement during the year.

Current and deferred taxes amounted to MSEK -566 (-436), equivalent to an effective tax rate of 28 per cent (27). The reduction in the US corporate tax rate led to a higher tax rate in 2017 as a result of the remeasurement of deferred tax assets.

The pre-tax return on capital employed was 10.1 per cent (8.9) and the after-tax return on equity was 10.4 per cent (9.0), both measured over a rolling 12-month period.

Consolidated statement of comprehensive income

MSEK	2017	2016
Net income for the year	1,438	1,175
Other comprehensive income/loss:		
Items that will not be reversed in the income statement:		
Revaluation of net pension obligations	-190	-623
Tax attributable to revaluation of net pension obligations	43	137
Total	-147	-486
Items that may be reversed in the income statement:		
Translation differences	-257	387
Net gain/loss on cash flow hedges:		
Change in value	106	-711
Reversed through profit or loss	525	462
Tax attributable to net gain/loss on cash flow hedges	-137	39
Total	-237	177
Other comprehensive income/loss for the year	90	-309
Net comprehensive income/loss for the year	1,528	866
of which Parent Company's shareholders' interest	1,481	778
of which non-controlling interest	47	88

Revaluation of net pension obligations has had a pre-tax effect of MSEK -190 (-623) on net comprehensive income for the year, see note 34 for more information.

The after-tax effect of net gain/losses of cash flow hedges on net comprehensive income amounted to MSEK 494 (-210), see note 38 for more information.

FINANCIAL NET MSEK	2017	2016
Financial net related to pensions	-69	-60
Net interest items	-100	-76
Currency gains/losses	54	-11
Other net financial items	-36	-39
Total	-151	-186

The financial net related to pensions is the financial cost for net pension obligations recognised in the balance sheet. See note 34 for more information regarding defined-benefit pension plans.

Net interest items refer to the return on liquid assets and short-term investments as well as interest expenses on short- and long-term interest-bearing liabilities and realised derivative results.

Currency gains/losses recognised in the financial net are mainly related to hedges of the tender portfolio, which are valued at fair value through profit and loss.

Other net financial items consist of unrealised results from the market valuation of short-term investments and derivatives as well as other currency effects, e.g. changes in exchange rates for liquid assets in currencies other than SEK. Derivatives are used to reduce interest rate risk in the investment portfolio, which consists of long-term interest-bearing securities.

Consolidated statement of financial position

MSEK	Note	31-12-2017	31-12-2016
ASSETS			
Intangible fixed assets	17	7,862	7,094
Tangible fixed assets	18	5,271	4,811
Biological assets	19	352	291
Investment properties	20	40	33
Shares in associated companies and joint ventures	21	700	788
Financial investments	24	26	165
Long-term receivables	26	662	505
Deferred tax assets	15	211	252
Total fixed assets		15,124	13,939
Inventories	27	7,743	6,660
Derivatives	38	1,139	1,290
Tax assets		26	120
Accounts receivable	28	4,342	5,402
Amounts due from customers	26	7,917	6,222
Other receivables	26	522	599
Prepaid expenses and accrued income	29	1,193	1,035
Short-term investments	24	4,469	4,542
Liquid assets	30	2,202	1,402
Total current assets		29,553	27,272
TOTAL ASSETS		44,677	41,211

STATEMENT OF FINANCIAL POSITION

At the end of December 2017, net debt was MSEK 1,834, a decrease of MSEK 2 compared to year-end 2016, when net debt amounted to MSEK 1,836.

Cash flow from operating activities amounted to MSEK 3,164.

Accounts receivable amounted to MSEK 4,342 as of 31 December 2017 and to MSEK 5,402 as of 31 December 2016. Amounts due from customers amounted to MSEK 7,917 as of 31 December 2017 and to MSEK 6,222 as of 31 December 2016.

Amounts due to customers amounted to MSEK 9,094 as of 31 December 2017 and to MSEK 7,884 as of 31 December 2016.

Net provisions for pensions, excluding special employers' contribution, amounted to MSEK 2,646 as of 31 December 2017, compared to MSEK 2,424 at year-end 2016. This had a negative impact on net debt of MSEK 222. The increase in provisions was mainly due to a reduction in the discount rate for calculating the pension obligation to 2.50 per cent from 2.75 per cent. The inflation assumption for calculating the pension liability was 1.75 per cent, in line with the assumption at year-end 2016. For more information on Saab's defined-benefit plans, see note 34.

During the year, net investments amounted to approximately MSEK 2,132, with capitalised internally funded R&D expenditures amounting to MSEK 871.

Acquisitions of operations amounted to MSEK 170.

In addition, a dividend of MSEK 559 was paid to the Parent Company's shareholders.

Currency exchange rate differences in liquid assets and unrealised results from financial investments had a negative impact on net debt of MSEK 79.

As of 31 December 2017, short-term investments and liquid assets amounted to MSEK 6,671, compared to MSEK 5,944 at year-end 2016. During the year, debt increased by approximately MSEK 700 after MSEK 1,038 was repaid of loans of MSEK 1,350 maturing in 2018. At the same time, new loans were issued with a value of MSEK 1,700 and maturing in 2022.

Capitalised development costs on the balance sheet amounted to MSEK 2,360 as of 31 December 2017, compared to MSEK 1,652 as of 31 December 2016. The increase is mainly related to the development of GlobalEye.

Inventories increased by MSEK 1,083 during the year, mainly due to the business areas Dynamics and Surveillance and upcoming deliveries.

Tangible fixed assets amounted to MSEK 5,271 at the end of the year, in line with year-end 2016.

Consolidated statement of financial position

MSEK	Note	31-12-2017	31-12-2016
EQUITY AND LIABILITIES			
Equity	31		
Capital stock		1,746	1,746
Other capital contributions		543	543
Other reserves		-23	-243
Retained earnings		11,923	11,110
Equity attributable to Parent Company's shareholders		14,189	13,156
Non-controlling interest		188	145
Total equity		14,377	13,301
Liabilities			
Long-term interest-bearing liabilities	32	6,235	5,624
Other liabilities	36	210	202
Provisions for pensions	34	3,424	3,069
Other provisions	35	1,024	811
Deferred tax liabilities	15	274	30
Total long-term liabilities		11,167	9,736
Short-term interest-bearing liabilities	32	92	292
Amounts due to customers		9,094	7,884
Accounts payable		2,958	2,880
Derivatives	38	1,093	1,955
Tax liabilities		120	81
Other liabilities	36	805	695
Accrued expenses and deferred income	37	4,483	3,988
Provisions	35	488	399
Total current liabilities		19,133	18,174
Total liabilities		30,300	27,910
TOTAL EQUITY AND LIABILITIES		44,677	41,211

For information on the Group's assets pledged and contingent liabilities, see note 39.

NET LIQUIDITY/DEBT

MSEK	Note	31-12-2017	31-12-2016	MSEK	Note	31-12-2017	31-12-2016
Assets				Liabilities			
Liquid assets	30	2,202	1,402	Liabilities to credit institutions	32	5,798	5,107
Short-term investments	24	4,469	4,542	Liabilities to associated companies and joint ventures	32	45	239
Total liquid investments		6,671	5,944	Other interest-bearing liabilities	32	484	570
Short-term interest-bearing receivables	26	14	29	Provisions for pensions ¹⁾	34	2,686	2,475
Long-term interest-bearing receivables	26	454	391	Total interest-bearing liabilities		9,013	8,391
Long-term receivables attributable to pensions	26	40	51	Net liquidity (+) / debt (-)		-1,834	-1,836
Long-term interest-bearing financial investments	24	-	140				
Total interest-bearing assets		7,179	6,555				

¹⁾ Excluding provisions for pensions attributable to special employers' contribution.

The average net liquidity/debt during 2017 amounted to MSEK -2,193 (-1,810). Net liquidity/debt excluding interest-bearing receivables and net pension obligations amounted to MSEK 344 (28) on 31 December 2017.

Consolidated statement of changes in equity

MSEK	Other reserves					Retained earnings	Total equity attributable to Parent Company's shareholders	Non-controlling interest	Total equity
	Capital stock	Other capital contributions	Net result of cash flow hedges	Translation reserve	Revaluation reserve				
Opening balance, 1 January 2016	1,746	543	-538	153	11	10,936	12,851	61	12,912
Net comprehensive income/loss for the year			-241	372		647	778	88	866
Transactions with shareholders:									
Share matching plan						84	84		84
Dividend						-530	-530	-18	-548
Acquisition and sale of non-controlling interest						-27	-27	14	-13
Closing balance, 31 December 2016	1,746	543	-779	525	11	11,110	13,156	145	13,301
Opening balance, 1 January 2017	1,746	543	-779	525	11	11,110	13,156	145	13,301
Net comprehensive income/loss for the year			477	-257		1,261	1,481	47	1,528
Transactions with shareholders:									
Share matching plan						111	111		111
Dividend						-559	-559	-4	-563
Closing balance, 31 December 2017	1,746	543	-302	268	11	11,923	14,189	188	14,377

For a definition of other reserves, see note 31.

Consolidated statement of cash flows

MSEK	Note	2017	2016
Operating activities:			
Income after financial items		2,004	1,611
Adjustments for items not affecting cash flow	43	1,479	1,226
Dividend from associated companies and joint ventures		26	16
Income tax paid		-272	-120
Cash flow from operating activities before changes in working capital		3,237	2,733
Cash flow from changes in working capital:			
Amounts due from and to customers		-475	5,092
Inventories		-994	-1,329
Other current receivables		795	-2,540
Other current liabilities		704	521
Provisions		-103	-323
Cash flow from operating activities		3,164	4,154
Investing activities:			
Investments in intangible fixed assets		-193	-98
Capitalised development costs		-871	-784
Investments in tangible fixed assets		-1,093	-807
Sales and disposals of tangible fixed assets		25	27
Investments in and sales of short-term investments		63	-1,525
Investments in financial assets		-30	-169
Sale of financial assets		104	25
Investments in operations, net effect on liquidity	3, 43	-170	-49
Sale of subsidiaries, net effect on liquidity	43	-	77
Cash flow from investing activities		-2,165	-3,303
Financing activities:			
Repayment of loans		-1,301	-582
Raising of loans		1,700	732
Dividend paid to Parent Company's shareholders		-559	-530
Dividend paid to non-controlling interests		-4	-5
Transactions with non-controlling interests		-	15
Cash flow from financing activities		-164	-370
CASH FLOW FOR THE YEAR	43	835	481
Liquid assets at beginning of year		1,402	850
Exchange rate difference in liquid assets		-35	71
Liquid assets at year-end	43	2,202	1,402

CAPITAL EXPENDITURES

The cash flow effect of capital expenditures in tangible fixed assets amounted to MSEK 1,093 (807). Investments in intangible fixed assets amounted to MSEK 1,064 (882), of which MSEK 871 (784) was related to capitalised development costs and MSEK 193 (98) to other intangible fixed assets.

CASH FLOW

Cash flow from operating activities excluding taxes and other financial items amounted to MSEK 3,520 (4,348), see note 43.

Saab has an established programme to sell trade receivables to strengthen its financial position and increase financial flexibility. The programme has not been utilised since 31 December 2016. Saab's aim is to utilise this programme in situations where greater financial flexibility is needed.

Operational cash flow amounted to MSEK 1,388 (2,603). It is defined as cash flow from operating activities excluding taxes and other financial items, as well as acquisitions and divestments of intangible and tangible fixed assets.

Free cash flow amounted to MSEK 852 (2,359). For more detailed information on cash flow, see note 43.

Parent company income statement

MSEK	Note	2017	2016
Sales	4, 5	19,958	17,988
Cost of goods sold		-15,546	-14,125
Gross income		4,412	3,863
Marketing expenses		-1,428	-1,250
Administrative expenses		-953	-850
Research and development costs		-1,701	-1,807
Other operating income	6	50	76
Other operating expenses	7	-22	-38
Operating income		358	-6
Result from financial items:	13		
Result from shares in Group companies		525	430
Result from shares in associated companies and joint ventures		6	11
Result from other securities and receivables held as fixed assets		24	-16
Other interest income and similar items		120	110
Interest expenses and similar items		-156	-218
Income after financial items		877	311
Appropriations	14	-11	-141
Income before taxes		866	170
Taxes	15	-217	-73
Net income for the year		649	97

SALES AND INCOME

The Parent Company includes units within the business areas Aeronautics, Surveillance, Support and Services, and Industrial Products and Services as well as one unit within Dynamics. Group staff and Group support are also included.

Parent company comprehensive income

MSEK	2017	2016
Net income for the year	649	97
Other comprehensive income/loss:		
Items that may be reversed in the income statement:		
Translation differences	-4	-
Other comprehensive income/loss for the year	-4	-
Net comprehensive income/loss for the year	645	97

Parent company balance sheet

MSEK	Note	31-12-2017	31-12-2016
ASSETS			
Fixed assets			
Intangible fixed assets	17	542	545
Tangible fixed assets	18	3,228	3,033
Financial fixed assets:			
Shares in Group companies	41	6,065	5,848
Receivables from Group companies	23	81	50
Shares in associated companies and joint ventures	22	369	398
Receivables from associated companies and joint ventures	23	370	311
Other long-term securities holdings	25	23	23
Other long-term receivables	26	19	7
Deferred tax assets	15	103	88
Total financial fixed assets		7,030	6,725
Total fixed assets		10,800	10,303
Current assets			
Inventories	27	5,442	4,980
Current receivables:			
Tax assets		15	67
Accounts receivable	28	1,907	3,184
Receivables from Group companies		2,248	3,261
Receivables from associated companies and joint ventures		1	20
Amounts due from customers	26	6,787	4,730
Other receivables	26	398	427
Prepaid expenses and accrued income	29	1,158	1,109
Total current receivables		12,514	12,798
Short-term investments		4,459	4,524
Cash and bank balances		1,181	651
Total current assets		23,596	22,953
TOTAL ASSETS		34,396	33,256

LIQUIDITY, FINANCING, CAPITAL EXPENDITURES AND NUMBER OF EMPLOYEES

The Parent Company's net debt amounted to MSEK 3,418 at 31 December 2017 compared to MSEK 3,041 at 31 December 2016.

Investments in tangible fixed assets amounted to MSEK 549 (472). Investments in intangible assets amounted to MSEK 170 (78). At year-end, the Parent Company had 9,357 employees, compared to 8,941 at the beginning of the year.

Parent company balance sheet

MSEK	Note	31-12-2017	31-12-2016
EQUITY AND LIABILITIES			
Equity	31		
Restricted equity:			
Capital stock		1,746	1,746
Revaluation reserve		675	682
Statutory reserve		543	543
Unrestricted equity:			
Retained earnings		4,234	4,579
Net income for the year		645	97
Total equity		7,843	7,647
Untaxed reserves	42	2,291	2,280
Provisions			
Provisions for pensions and similar commitments	34	252	153
Other provisions	35	837	654
Total provisions		1,089	807
Liabilities			
Liabilities to credit institutions	33	5,798	5,107
Liabilities to Group companies		5,667	6,465
Advance payments from customers		6,495	5,431
Accounts payable		1,854	2,056
Liabilities to associated companies and joint ventures		44	239
Other liabilities	36	560	512
Accrued expenses and deferred income	37	2,755	2,712
Total liabilities		23,173	22,522
TOTAL EQUITY AND LIABILITIES		34,396	33,256

For information on the Parent Company's assets pledged and contingent liabilities, see note 39.

Statement of changes in equity for the parent company

MSEK	Restricted equity			Unrestricted equity		Total equity
	Capital stock	Revaluation reserve	Statutory reserve	Retained earnings	Net comprehensive income for the year	
Opening balance, 1 January 2016	1,746	688	543	5,020		7,997
Items reported directly in equity:						
Change in revaluation reserve		-6		6		-
Net comprehensive income/loss for the year					97	97
Transactions with shareholders:						
Dividend to shareholders				-530		-530
Share matching plan				84		84
Closing balance, 31 December 2016	1,746	682	543	4,579	97	7,647
Opening balance, 1 January 2017	1,746	682	543	4,676		7,647
Items reported directly in equity:						
Change in revaluation reserve		-7		7		-
Net comprehensive income/loss for the year					645	645
Transactions with shareholders:						
Dividend to shareholders				-559		-559
Share matching plan				111		111
Closing balance, 31 December 2017	1,746	675	543	4,234	645	7,843

Parent company statement of cash flows

MSEK	Note	2017	2016
Operating activities			
Income after financial items		877	311
Adjustments for items not affecting cash flow	43	830	762
Income tax paid		-156	-56
Cash flow from operating activities before changes in working capital		1,551	1,017
Cash flow from changes in working capital			
Amounts due from and to customers		-993	5,119
Inventories		-456	-1,291
Other current receivables		1,252	-3,144
Other current liabilities		-86	644
Provisions		-116	-131
Cash flow from operating activities		1,152	2,214
Investing activities			
Shareholders' contributions paid/repaid		4	-41
Investments in intangible fixed assets		-170	-78
Investments in tangible fixed assets		-549	-472
Sale of tangible fixed assets		15	8
Sale of and investments in short-term investments		55	-1,508
Investments in financial assets		-100	-166
Sale of financial assets		46	38
Investments in operations		-230	-44
Sale of subsidiaries		16	79
Cash flow from investing activities		-913	-2,184
Financing activities			
Change in receivables/liabilities from Group companies		-1,052	496
Raising of loans		1,700	732
Repayment of loans		-1,169	-553
Dividend paid to shareholders		-559	-530
Group contributions and dividends received		1,371	265
Cash flow from financing activities		291	410
CASH FLOW FOR THE YEAR		530	440
Liquid assets at beginning of year		651	211
Liquid assets at year-end	43	1,181	651

NOTE 1 ACCOUNTING PRINCIPLES

OPERATIONS

Saab AB is a Swedish limited company with its registered address in Linköping. The company's Series B shares are listed on Nasdaq Stockholm's large cap list. The operations of Saab AB with its subsidiaries, joint ventures and associated companies (jointly referred to as Saab or the Group) were divided into six business areas in 2017: Aeronautics, Dynamics, Surveillance, Support and Services, Industrial Products and Services and Kockums. In addition, Corporate comprises Group staff, Group departments, and secondary operations. The operations in each business area are described in note 4.

On 22 February 2018, the Board of Directors and the President approved this annual report and consolidated accounts for publication, and it will be presented to the Annual General Meeting on 10 April 2018 for adoption.

CONFORMITY TO STANDARDS AND LAWS

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as approved by the EU.

The consolidated accounts have also been prepared in accordance with the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups, which contains certain additional disclosure requirements for Swedish consolidated accounts prepared in accordance with IFRS.

The annual report for Saab AB has been prepared according to the Annual Accounts Act, the Swedish Financial Reporting Board's recommendation RFR 2 Reporting by Legal Entities and the pronouncements of the Swedish Financial Reporting Board. Differences between the accounting principles applied by the Parent Company and the Group are the result of limitations on opportunities to apply IFRS by the Parent Company owing to the Annual Accounts Act, the Act on Safeguarding Pension Commitments and in certain cases current tax rules. Significant differences are described below under "Significant differences between the Group's and the Parent Company's accounting principles."

ASSUMPTIONS IN THE PREPARATION OF THE FINANCIAL REPORTS

The Parent Company's functional currency is Swedish kronor (SEK), which is also the reporting currency for the Parent Company and for the Group. The financial reports are presented in SEK. All amounts, unless indicated otherwise, are rounded off to the nearest million.

The preparation of the financial reports in accordance with IFRS requires the Board of Directors and Management to make estimates and assumptions that affect the application of the accounting principles and the carrying amounts of assets, liabilities, revenue and expenses. Estimates and assumptions are based on historical experience and knowledge of the industry that Saab operates in, and under current circumstances seem reasonable. The result of these estimates and assumptions is then used to determine the carrying amounts of assets and liabilities that otherwise are not clearly indicated by other sources. Actual outcomes may deviate from these estimates and assumptions.

Estimates and assumptions are reviewed regularly, and the effect of changed estimates is recognised in profit or loss.

Estimates made by the Board of Directors and Management in applying the accounting principles in compliance with IFRS that may have a significant impact on the financial reports as well as estimates that may necessitate significant adjustments in financial reports in subsequent years are described in more detail in note 2.

The accounting principles described below for the Group and the accounting principles concerning significant profit/loss and balance sheet items described in the respective note disclosure have been applied consistently for all periods presented in the Group's financial reports, unless otherwise indicated.

APPLICATION OF NEW AND REVISED ACCOUNTING RULES

No significant new or revised standards applicable as of the financial year 2017 were added during the year.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS THAT HAVE NOT YET ENTERED INTO FORCE

IASB has issued the following new and amended standards that have not yet entered into force:

Standards	Will apply to financial years beginning:
IFRS 9 Financial Instruments	1 January 2018 (adopted by EU)
IFRS 15 Revenue from Contracts with Customers	1 January 2018 (adopted by EU)
IFRS 16 Leases	1 January 2019 (adopted by EU)

IFRS 9 Financial Instruments sets out the requirements for classification, measurement and accounting of financial assets and liabilities and introduces new rules for hedge accounting and impairment of financial assets. According to the standard,

hedge accounting will be applied prospectively and a company does not have to restate previous periods, and Saab has not done so. Saab began evaluating the effects of the introduction of the new standard in 2016 and has continued with a more detailed evaluation in 2017. The evaluation has been in the form of a project with participants from various parts of the company. The new standard will not have a significant impact on the company's income statement or financial position. Hedge accounting will not be affected, but Saab will transition to IFRS 9's hedge accounting, which is an option in the standard. The effect on the opening equity balance for 2018 amounts to MSEK -4, which is due to impairment of receivables from associated companies and joint ventures.

IFRS 15 Revenue from Contracts with Customers governs the recognition of revenue. The principles that IFRS 15 are built on give users of financial reports more useful information on the company's revenue. The expanded disclosure obligation requires more information to be provided on the nature, timing and uncertainty of revenue as well as cash flows from contracts with customers. According to IFRS 15, revenue is recognised when customers obtain control over the purchased goods or services and are able to use and obtain benefits from the goods or services. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts. Saab has had a project since 2015 to evaluate the effects and prepare for implementation of IFRS 15. The project has an internal steering group with Saab's CFO as chairman and staff from various parts of the company such as Finance, Legal and Sales.

A large part of the Group's operations involves long-term customer contracts with the development and manufacture of complex systems that stretch over several reporting periods and where the so-called percentage of completion method has been used. An essential point in the analysis that was done is to determine the number of performance obligations and when they are fulfilled, i.e. over time or at a given point in time. The conclusion of the contract analysis that was done is that the number of performance obligations is the same as in current reporting and that revenue from long-term customer contracts will continue to be recognised over time in accordance with IFRS 15 and the percentage of completion method. For a few customer contracts, the method for recognition will be adjusted. The main reason for the change is that a few long-term customer contracts cannot report revenue over time, due to non-compliance with the right to payment including earnings for work performed. Saab will apply the full retroactive approach for the transition to IFRS 15 from 2018, with certain exceptions approved by the standard. For example, Saab will not restate contracts that were started and completed within the same annual reporting period. Transition effects that arise for IFRS 15 affect the opening equity balance for the comparative year 2017 by MSEK -164 and the opening balance for 2018 by MSEK -92. In the income statement for 2017, sales increase by MSEK 272 and the cost of goods sold by MSEK 177. As a result, operating income is affected positively by MSEK 95 and net income for the year by MSEK 70. For more information, see note 46.

IFRS 16 Leases is a new standard for reporting lease agreements that replaces IAS 17 Leases. For companies that are lessees, the current classification of operating and finance leases disappears and is replaced by an approach where assets and liabilities for all leases are recognised in the balance sheet. For leases with a term of 12 months or less or where the underlying asset has a low value, there is the option of applying an exemption. Saab began in 2017 to evaluate the effect of the introduction of the new standard. As indicated in Note 8 Lease agreements, future leasing fees have been identified for operating leases of approximately SEK 2 billion. With the exception of short-term leases of less than one year and leases of lower value that will be exempt, these leases will, after a present value calculation, be recognised in the balance sheet as a right of use on the asset side and a lease liability on the liability side. The choice of transition approach has not yet been evaluated. In 2018, Saab will continue its analysis and evaluation and prepare for the introduction of the standard in 2019.

Other IFRS or IFRIC interpretations that have not yet entered into force are not expected to have a material effect on the Group.

CLASSIFICATION OF ASSETS AND LIABILITIES

Current assets and current liabilities generally consist of amounts that can be recovered or paid within twelve months of the closing day. Other assets and liabilities are recognised as fixed assets or long-term liabilities.

CONSOLIDATION PRINCIPLES

Group companies

Group companies are companies in which Saab AB has a decisive influence through a direct or indirect shareholding amounting to more than 50 per cent of the votes, other than in exceptional circumstances where it can be clearly demonstrated that such ownership does not constitute a decisive influence. Decisive influence also exists when the parent owns not more than half of the voting power of an entity but otherwise has a decisive influence over more than half the voting rights or the power to govern the company's financial and operating policies under a statute or agreement. When determining whether a decisive influence exists, potential voting shares that can be exercised or converted without delay are taken into account.

Subsidiaries and acquired operations (business combinations) are recognised according to the purchase accounting method. This means that a business combination is treated as a transaction whereby the Group indirectly acquires the business's assets and takes over its liabilities and contingent liabilities. The Group's cost is determined through an acquisition analysis with regard to the acquisition of operating entities. Cost is comprised of the sum of the fair value of what is paid in cash on the acquisition date through the assumption of liabilities or shares issued. Contingent consideration is included in cost and recognised at its fair value on the acquisition date. The subsequent effects of revaluations of contingent consideration are recognised in profit or loss. Acquired identifiable assets and assumed liabilities are initially recognised at their acquisition-date fair value. The exceptions to this principle are acquired tax assets/liabilities, employee benefits, share-based payment and assets held for sale, which are valued in accordance with the principles described in respective note disclosure. Exceptions are also made for indemnification assets and repurchased rights. Indemnification assets are valued according to the same principle as the indemnified item. Repurchased rights are valued based on the remaining contractual period regardless of whether other market players might consider opportunities for contract extensions in connection with valuations. Recognised goodwill consists of the difference between, on the one hand, the cost of Group company's interests, the value of non-controlling interests in the acquired company and the fair value of the previously owned interest and, on the other, the carrying amount of the acquired assets and assumed liabilities in the acquisition analysis. Non-controlling interests are recognised on the acquisition date either at fair value or their proportionate share of the carrying amount of the acquired company's identified assets and liabilities. Acquisitions of non-controlling interests are recognised as transactions affecting the owners' equity.

The financial reports of Group companies are included in the consolidated accounts from the point in time when a decisive influence arises (acquisition date) until this influence ceases. When decisive influence over the Group company ceases but the Group retains an interest in the company, the remaining shares are initially recognised at fair value. The gain or loss that arises is recognised in profit or loss.

Associated companies and joint ventures

Associated companies are companies over which the Group has a significant, but not decisive, influence. Joint ventures are companies that the Group, through a cooperative agreement with one of more parties, shares a decisive influence over. Associated company and joint venture are recognised according to the equity method in the consolidated accounts. See note 21 for further information.

Eliminated transactions

Intra-Group receivables and liabilities, revenue or expenses, and gains or losses that arise from transactions between Group companies are eliminated in their entirety in the preparation of the consolidated accounts.

Gains that arise from transactions with associated companies and joint ventures are eliminated to an extent corresponding to the Group's ownership interest in the company. Losses are eliminated in the same way as gains, but only to the extent that there is no impairment loss.

FOREIGN CURRENCY

Functional currencies are the currencies in each primary economic environment where units of the Group conduct their operations.

Transactions and assets and liabilities in foreign currency

Transactions in foreign currency are recognised in the functional currency at the exchange rate on the transaction day. Monetary assets and liabilities are translated to the functional currency on the closing day at the exchange rate then in effect. Exchange rate differences that arise through these translations are recognised in profit and loss. Non-monetary assets and liabilities recognised at fair value are translated to the functional currency at the rate in effect at the time of valuation at fair value. Changes in exchange rates are then recognised in the same way as other changes in value of the asset or liability.

Translation of financial reports of foreign operations to SEK

Assets and liabilities in operations with a functional currency other than SEK are translated to SEK at the closing day exchange rate. Revenue and expenses in foreign operations are translated to SEK at the average rate. Translation differences that arise through currency translations are recognised directly in other comprehensive income. The amount is recognised separately as a translation reserve in equity.

SIGNIFICANT DIFFERENCES BETWEEN THE GROUP'S AND THE PARENT COMPANY'S ACCOUNTING PRINCIPLES

The Parent Company follows the same accounting principles as the Group with the following exceptions.

Business combinations

Transaction costs are included in the cost of business combinations.

Associated companies and joint ventures

Shares in associated companies and joint ventures are recognised by the Parent Company according to the acquisition cost method. Revenue includes dividends received.

Intangible fixed assets

All development costs are recognised in profit or loss.

Tangible fixed assets

Tangible fixed assets are recognised after revaluation, if necessary.

Investment properties

Investment properties are recognised according to acquisition cost method.

Financial assets and liabilities and other financial instruments

The Parent Company carries financial fixed assets at cost less write-down and financial current assets according to the lowest value principle. If the reason for write-down has ceased, it is reversed. The Parent Company does not apply the rules for setting off financial assets and liabilities.

Derivatives and hedge accounting

Derivatives that are not used for hedging are carried by the Parent Company according to the lowest value principle based on net value of different portfolios. For derivatives used for hedging, recognition is determined by the hedged item. This means that the derivative is treated as an off balance sheet item as long as the hedged item is recognised at cost or is not included on the balance sheet. Receivables and liabilities in foreign currency hedged with forward contracts are valued at the forward rate.

Employee benefits

The Parent Company complies with the provisions of the Law on Safeguarding of Pension Commitments and the regulations of the Swedish Financial Supervisory Authority, since this is a condition for tax deductibility.

Untaxed reserves

The amounts allocated to untaxed reserves constitute taxable temporary differences. Due to the connection between reporting and taxation, the deferred tax liability is recognised in the Parent Company as part of untaxed reserves.

Group contributions and shareholders' contributions

Shareholders' contributions are recognised directly in the equity of the recipient and capitalised in the shares and participating interests of the contributor, to the extent write-down is not required. Group contributions received are recognised through profit or loss in financial income and expenses. Group contributions paid are capitalised in the shares and participating interests of the parent, to the extent write-down is not required.

NOTE 2 ASSUMPTIONS IN THE APPLICATION OF THE ACCOUNTING PRINCIPLES

The Board of Directors and Group Management together have identified the following areas where estimates and assumptions in the application of the accounting principles may have a significant impact on the accounting of the Group's results of operations and financial position and may result in significant adjustments in subsequent financial reports. Developments in these areas are monitored continuously by Group Management and the Board of Directors' Audit Committee.

UNCERTAINTIES IN ESTIMATES AND ASSUMPTIONS

Long-term customer contracts

A majority of all long-term customer contracts contain significant development aspects, which are associated with risks. Before a contract is signed with a customer on delivery of a product or service, a thorough analysis is always made of the prerequisites and risks of the delivery through a project management process established within Saab. In the execution stage, continuous reviews are made of the work in the project according to the same process. An important aspect is to identify risks and assess them and the measures that are taken to mitigate the risks with the help of a risk assessment method.

The Group applies the percentage of completion method to recognise revenue from long-term customer contracts. An estimation of total costs including an estima-

Note 2, cont.

tion of technical and commercial risks is critical in revenue recognition. Changed estimations of the projects' total costs cause retroactive effects that affect sales and revenue recognition. Today several major projects are in an early stage with greater uncertainties in risks to take into consideration in revenue recognition and estimation of total costs. The accounting of long-term customer contracts also affects balance sheet items such as receivables and liabilities from/to customers, accounts receivables, inventories and project loss provisions. Making delivery according to project plan and milestones are important for the cash flow since payments are made upon achievement of milestones or deliveries in projects. See note 5 for more information regarding long-term customer contracts.

Recovery of value of development costs

The Group has invested significant amounts in research and development. The reported amounts in the statement of financial position are primarily due to development projects relating to radar and sensors, electronic warfare systems, Air Traffic Management, and airborne surveillance systems. Capitalised development costs amount to MSEK 2,360 (1,652). The recognition of development expenditures as an asset on the statement of financial position requires an assumption that the product is expected to be technically and commercially usable in the future and that future economic benefits are likely. Capitalised development costs are amortised over the estimated production volume or linearly over the period of use, up to a maximum of 10 years. Projected production volumes and periods of use may later be reassessed, which could necessitate impairment. See note 17 for further information.

Impairment testing of goodwill

In the calculation of cash-generating units' recovery value to determine whether there is a need or impairment of goodwill, assumptions have been made with regard to the calculation of value in use, based on discounted cash flow projections. A significant deviation in the conditions could necessitate impairment of goodwill. The carrying amount for goodwill amounts to MSEK 5,177 (5,196). See note 17 for further information.

Pensions

Saab has two types of pension plans: defined-benefit and defined-contribution. In defined-benefit plans, post-employment compensation is based on a percentage of the recipient's salary. The present value of defined-benefit obligations amounts to MSEK 9,341 (8,608). The value of the pension obligation is determined through a number of actuarial assumptions, because of which the obligation can significantly increase or decrease if the actuarial assumptions change. Changes in actuarial gains and losses directly affect the pension obligation and hence the Group's financial position. See note 34 for further information.

NOTE 3 BUSINESS COMBINATIONS

No significant acquisitions through business combinations were made during 2017.

NOTE 4 SEGMENT REPORTING

OPERATING SEGMENTS

Saab is a leading high-technology company, 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. Saab has a strong position in Sweden and the main part of sales is generated in Europe. In addition, Saab has a local presence in South Africa, Australia, the US and other selected countries globally.

Segment information is presented based on management's view, and operating segments are identified based on internal reporting to the company's chief operating decision maker. Saab has identified the Chief Executive Officer as its chief operating decision maker, while the internal reports used by the CEO to oversee operations and make decisions on allocating resources serve as the basis of the information presented. The segments are monitored at the operating income level. The accounting principles for reportable segments conform to the principles applied by the Group as a whole. Sales of goods and services between segments

are made on market terms. Saab's operations are divided into six business areas, which are also operating segments:

- Aeronautics
- Dynamics
- Surveillance
- Support and Services
- Industrial Products and Services
- Kockums

The business areas are described below. Complementing the six segments is Corporate, which comprises Group staffs and departments as well as other non-core operations.

Aeronautics

Aeronautics is a world-leading manufacturer of innovative aerial systems and is engaged in development of military aviation technology. It also conducts long-term future studies of manned and unmanned aircraft as preparation for new systems and further development of existing products.

Dynamics

Dynamics offers a market-leading product portfolio comprising ground combat weapons, missile systems, torpedoes, unmanned underwater vehicles, systems for training and simulation, signature management systems for armed forces around the world, and niche products for the civil and defence markets.

Surveillance

Surveillance provides efficient solutions for safety and security, for surveillance and decision support, and for threat detection, location, and protection. The portfolio covers airborne, ground-based and naval radar, electronic warfare, combat systems and C4I solutions, and traffic management systems.

Support and Services

Support and Services offers reliable, cost-efficient service and support for all of Saab's markets. This includes support solutions, technical maintenance and logistics as well as products, solutions and services for military and civil missions.

Industrial Products and Services

The business units within Industrial Products and Services are focused on business-to-business (B2B) customers. There is also a minority portfolio containing Saab's ownership interests in companies in various stages of development.

Kockums

Kockums develops, delivers, and maintains world-class solutions for naval environments. Its portfolio includes submarines with the Stirling system for air independent propulsion, surface combatants, mine hunting systems and autonomous vessels. Kockums' unique competence is in signature management, impact strength and advanced stealth technology.

Significant non-recurring items not affecting cash flow

During 2017, no significant non-recurring items not affecting cash flow were recognised.

Information on large customers

In 2017, Saab had one customer that accounted for 10 per cent or more of the Group's sales: the Swedish Defence Materiel Administration (FMV). FMV is a customer of all business areas and total sales amounted to MSEK 10,695 (9,804) in 2017.

Information on geographical areas

External sales are distributed to the market where the customer is domiciled, while fixed assets are distributed to the market where the asset is geographically located.

Seasonal variation

A major part of Saab's business is related to large projects where the revenue is recognised by using the percentage of completion method. The costs incurred in these projects are normally lower during the third quarter compared with the other quarters. The fourth quarter is also usually affected by a higher number of deliveries, mainly within Dynamics.

Note 4, cont.

Group	Aeronautics		Dynamics		Surveillance		Support and Services		Industrial Products and Services		Kockums		Corporate		Eliminations		Group	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
MSEK																		
External sales	6,830	6,728	5,109	4,786	7,673	7,383	6,060	4,901	2,890	2,510	2,704	2,306	128	17	-	-	31,394	28,631
Internal sales	437	410	158	141	342	276	141	180	1,132	1,095	8	5	-	-	-2,218	-2,107	-	-
Total sales	7,267	7,138	5,267	4,927	8,015	7,659	6,201	5,081	4,022	3,605	2,712	2,311	128	17	-2,218	-2,107	31,394	28,631
Operating income before share in income of associated companies and joint ventures	477	524	540	413	591	449	673	454	199	209	157	135	-443	-349	-	-	2,194	1,835
Share in income of associated companies and joint ventures	1	11	35	34	-	-	-	-	-63	-75	-	-1	-12	-7	-	-	-39	-38
Operating income	478	535	575	447	591	449	673	454	136	134	157	134	-455	-356	-	-	2,155	1,797
Financial income	-	-	4	2	13	19	1	1	-	2	1	-	195	152	-93	-86	121	90
Financial expenses	-81	-83	-48	-47	-65	-70	-32	-30	-27	-21	-8	-7	-105	-104	93	86	-272	-276
Income before taxes	397	452	531	402	539	398	642	425	109	115	150	127	-364	-308	-	-	2,004	1,611
Taxes ¹⁾	-69	-4	-81	-64	-85	-45	-47	-100	-41	-32	-31	-27	-212	-164	-	-	-566	-436
Net income for the year	328	448	450	338	454	353	595	325	68	83	119	100	-576	-472	-	-	1,438	1,175
Assets	8,543	7,123	5,956	4,988	13,939	12,748	5,431	5,050	3,944	3,574	3,797	3,332	20,808	20,576	-17,741	-16,180	44,677	41,211
Of which shares in associated companies and joint ventures	86	40	177	144	4	4	-	-	188	248	23	24	222	328	-	-	700	788
Liabilities	8,110	6,659	3,819	2,995	7,762	6,870	3,583	3,804	3,038	2,566	2,815	2,598	11,472	11,139	-10,299	-8,721	30,300	27,910
Operational cash flow	1,264	435	1,105	282	-73	1,865	104	1,243	-264	-54	206	639	-954	-1,807	-	-	1,388	2,603
Capital employed	2,191	2,303	3,283	3,320	7,580	7,206	3,220	2,614	2,821	2,326	1,016	749	3,280	3,173	-	-	23,391	21,691
Investments	413	96	155	84	559	575	274	457	60	130	101	92	595	338	-	-	2,157	1,772
Depreciation and amortisation	50	41	85	75	354	491	19	16	36	36	23	31	272	256	-	-	839	946

¹⁾ Current taxes in the Parent Company are reported in Corporate

Geographical areas

Group	Sweden		Rest of Europe		North America		Latin America		Asia											
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016										
MSEK																				
External sales		13,218		12,389		4,549		4,981		2,791		2,740		2,653		2,014		6,691		5,107
as % of sales		42		43		14		17		9		10		8		7		21		18
Fixed assets		13,513		12,103		412		486		453		690		4		4		143		118

Group	Africa		Australia, etc.		Total	
	2017	2016	2017	2016	2017	2016
MSEK						
External sales	449	495	1,043	905	31,394	28,631
as % of sales	1	2	4	3	100	100
Fixed assets	469	417	130	121	15,124	13,939

Note 4, cont.

Sales by operating segment

MSEK	Parent Company	
	2017	2016
Aeronautics	6,836	6,732
Dynamics	1,163	938
Surveillance	5,107	4,519
Support and Services	5,447	4,356
Industrial Products and Services	1,405	1,443
Total	19,958	17,988

Sales by geographical market

MSEK	Parent Company	
	2017	2016
Sweden	8,785	8,671
Rest of Europe	2,729	3,124
North America	1,406	1,387
Latin America	2,550	1,983
Asia	3,964	2,392
Africa	319	273
Australia, etc.	205	158
Total	19,958	17,988

NOTE 5 SALES DISTRIBUTION AND OPERATING EXPENSES**ACCOUNTING PRINCIPLES****Sales**

Revenue is measured at the fair value of what is received or will be received after deducting sales tax, returns, discounts or other similar deductions.

Long-term customer contracts

A large part of the Group's operations comprises long-term customer contracts. Long-term customer contracts relate to the development and manufacture of complex systems that stretch over several reporting periods.

For long-term customer contracts where the outcome can be calculated reliably, revenue and expenditures attributable to the assignment are recognised in the consolidated income statement in relation to the assignment's stage of completion, i.e., according to the percentage of completion method.

The stage of completion is based on a determination of the relationship between expenditures incurred for services rendered as of the closing day and estimated total expenditures. Of the estimated total revenue for an assignment, the portion corresponding to the stage of completion is recognised in each period. The stage of completion can also be determined in certain cases based on milestones or deliveries.

An anticipated loss is recognised in profit or loss as soon as it is identified.

Recognised subcontracting revenue for which the customer has not yet been invoiced is recognised as a receivable from that customer. All projects in progress from customers for whom invoiced amounts exceed project expenses and reported profits are recognised as liabilities to those customers.

Sale of goods

The sale of goods includes goods manufactured by Saab and goods purchased for resale, e.g. spare parts and other equipment that are sold separately.

Revenue from the sale of goods is recognised in profit or loss when the significant risks and benefits associated with ownership have been transferred to the buyer, when it is considered likely that payment will be received and the revenue and related expenses can be calculated reliably.

Service assignments

Service assignments refer to the performance of a service on behalf of a customer during a contractual period, e.g., consulting and support services.

Revenue from service assignments rendered on current account is recognised when the services are rendered. Revenue from services rendered as part of fixed-price contracts is recognised in accordance with the principles that apply to long-term customer contracts. Revenue is recognised only if it is likely that the economic benefits will accrue to the Group.

Royalties

Royalties include revenue from outside parties for the use of Saab's assets such as patents, trademarks and software.

Sales by significant source

MSEK	Group		Parent Company	
	2017	2016	2017	2016
Long-term customer contracts	21,755	19,160	14,077	12,546
Sale of goods	3,714	3,759	2,406	2,045
Service assignments	5,923	5,703	3,474	3,390
Royalties	2	9	1	7
Total	31,394	28,631	19,958	17,988

Operating expenses

The income statement is classified according to function as follows:

Cost of goods sold comprises costs for material handling and manufacturing costs, including salary and material costs, purchased services, premises, and the depreciation/amortisation and write-down of intangible and tangible fixed assets other than self-financed capitalised development cost (see below). Customer-financed research and development is recognised in cost of goods sold.

Administrative expenses relate to expenses for the Board of Directors, Group Management and staff functions as well as expenses attributable to business area and business unit managements.

Marketing expenses comprise expenses for the in-house marketing and sales organisation as well as external marketing and selling expenses.

Research and development costs are recognised separately and comprise the cost of self-financed new and continued product development as well as amortisation of capitalised development costs.

Other operating revenue and expenses relate to secondary activities, exchange rate differences on items of an operating nature, changes in the value of derivatives of an operating nature and capital gains/losses on the sale of tangible fixed assets. Also included at the Group level are capital gains/losses on the sale of subsidiaries and associated companies and joint ventures.

Operating expenses classified by the type of cost, excluding other operating income and expenses, are distributed as follows:

MSEK	Group	
	2017	2016
Materials and components	6,972	7,497
Purchased services	3,916	2,955
Personnel costs	12,604	11,642
Depreciation/amortisation and write-downs	884	932
Other external costs	4,842	3,900
Total	29,218	26,926

Depreciation/amortisation and write-downs include write-downs and reversal of write-downs on inventory.

NOTE 6 OTHER OPERATING INCOME

MSEK	Group		Parent Company	
	2017	2016	2017	2016
Gain from other operating activities	20	28	-	-
Insurance compensation	17	15	10	14
Capital gain on realised accumulated translation differences	15	-	-	-
Government grants	9	13	8	11
Trading results	8	7	8	7
Gain from revaluation of earn out liability	7	-	-	-
Gain on sale of tangible fixed assets	6	3	6	-
Gain on sale of Group companies	-	49	-	-
Exchange rate gains on operating receivables/liabilities	-	36	-	28
Other	22	50	18	16
Total	104	201	50	76

Trading result refers to the result in Saab Treasury from trading in interest rate and currency instruments according to the risk mandate approved by the Board of Directors; see note 38.

Other operating activities consist of results from subsidiaries that fall outside core operations and net rental income from property rentals.

NOTE 7 OTHER OPERATING EXPENSES

MSEK	Group		Parent Company	
	2017	2016	2017	2016
Change in value of derivatives and exchange rate losses on operating receivables/liabilities	-55	-30	-9	-
Loss on sale and disposal of tangible and intangible fixed assets	-22	-14	-13	-17
Loss from other operating activities	-2	-4	-	-
Other	-8	-22	-	-21
Total	-87	-70	-22	-38

Other operating activities consist of results from subsidiaries that fall outside core operations.

NOTE 8 LEASE AGREEMENTS

ACCOUNTING PRINCIPLES

Leasing is classified in the consolidated accounts as either finance or operating leasing. Finance leasing exists when the economic risks and benefits tied to ownership are essentially transferred to the lessee; otherwise it is operating leasing.

Leasing fees for assets obtained via operating leases

Leasing fees refer mainly to premises, computers and cars.

The Group also has a finance lease on a building and an aircraft, see note 18.

MSEK	Group	
	Premises and buildings	Machinery and equipment
Outcome		
2016	300	147
2017	344	157
Contracted		
2018	362	95
2019	330	46
2020	288	14
2021	245	6
2022	174	4
2023 and forward	454	1
Total contracted	1,853	166

MSEK	Parent Company	
	Premises and buildings	Machinery and equipment
Outcome		
2016	222	110
2017	250	108
Contracted		
2018	287	57
2019	277	25
2020	247	5
2021	219	1
2022	150	-
2023 and forward	416	-
Total contracted	1,596	88

NOTE 9 GOVERNMENT GRANTS

ACCOUNTING PRINCIPLES

Saab receives government grants, mainly various grants from EU related to research and development projects. These are recognised when there is reasonable certainty that the grant will be received and that the Group will meet the conditions associated with the grant. Government grants are systematically recognised in the income statement in the same way and over the same periods as the expenses for which the grants are intended to compensate. Government grants related to assets are recognised in the statement of financial position as a reduction in the asset's carrying amount.

For 2017, MSEK 36 (42) has been received. MSEK 34 (28) has been recognised through profit or loss by reducing research and development expenditures and as other operating income. In the statement of financial position at year-end, MSEK 29 (27) is recognised as prepaid income.

Saab and the Ministry of Enterprise, Energy and Communications have reached an agreement with the National Debt Office to co-finance Saab's participation in the Airbus A380 project. The co-financing is in the form of a royalty loan maximised at MSEK 350. Repayment will take the form of a royalty on each delivery to Airbus. Through 2017, the National Debt Office has paid out a net amount of MSEK 263 (263). The debt as of 31 December 2017 amounted to MSEK 132 (137), which reduces inventory in the financial statements.

No contingent liabilities or contingent assets are reported.

NOTE 10 EMPLOYEES AND STAFF COSTS

The average number of employees in 2017 amounted to 15,935 (14,890), of whom 78 per cent (78) were men. A complete list of the number of employees by country has been sent to the Swedish Companies Registration Office and can be downloaded at www.saabgroup.com, Investor, Financial Data.

Average number of employees¹⁾

	2017		2016	
		of whom men		of whom men
Parent company				
Sweden	8,837	78%	8,460	79%
Rest of Europe	61	80%	58	76%
North America	19	68%	17	76%
Latin America	23	83%	5	60%
Asia	67	90%	69	90%
Africa	49	92%	44	91%
Parent company, total	9,056	78%	8,653	79%
Group companies				
Sweden	4,075	78%	3,610	78%
Rest of Europe	870	81%	842	82%
North America	653	75%	615	75%
Latin America	24	63%	19	53%
Asia	141	78%	121	79%
Africa	797	71%	734	72%
Australia, etc	319	82%	296	82%
Group companies, total	6,879	77%	6,237	77%
Group, total	15,935	78%	14,890	78%

¹⁾ The average number of employees has been calculated as an average of the number of Full Time Equivalents (FTE). The term Full-Time Equivalents excludes long-term absentees and consultants. Fixed term employees and probationers are however included in the calculation.

Gender distribution of corporate management

Share of women, per cent	Parent Company	
	2017	2016
Board of Directors	40	30
Other senior executives	38	27

Salaries, other remuneration and social security expenses

MSEK	2017		2016	
	Salaries and other remuneration	Social security expenses	Salaries and other remuneration	Social security expenses
Parent Company	4,914	2,482	4,718	2,350
of which pension costs ¹⁾		924		868
Group companies	4,055	1,153	3,592	982
of which pension costs ²⁾		408		358
Group, total	8,969	3,635	8,310	3,332
of which pension costs ³⁾		1,332		1,226

¹⁾ Of the Parent Company's pension costs, MSEK 14 (14) referred to the Parent Company's Board and President, including deputies and Executive Vice President. The company's outstanding pension obligations for these individuals, amount to MSEK 19 (21), of which MSEK 19 (21) referred to former Board members and President, including deputies and Executive Vice Presidents.

²⁾ Adjustment according to different accounting principles regarding defined-benefit plans between Parent Company and Group. See notes 1 and 34 for more information.

³⁾ Of the Group's pension costs, MSEK 22 (21) referred to the Group's and Group companies' Boards and Presidents. The Group's outstanding pension obligations for these individuals amounted to MSEK 19 (21), of which MSEK 19 (21) referred to former board members and Presidents.

Salaries and other remuneration distributed between Board members, President and Executive Vice Presidents and other employees

MSEK	2017		2016	
	Board, President and Executive Vice Presidents	Other employees	Board, President and Executive Vice Presidents	Other employees
Parent Company	31	4,883	30	4,688
Group companies	70	3,985	71	3,521
Group, total	101	8,868	101	8,209

Of the salaries and remuneration paid to other employees in the Group, MSEK 30 (25) referred to senior executives other than Board members, the President and Executive Vice Presidents.

For information on post-employment benefits, see note 34.

SENIOR EXECUTIVES' BENEFITS

Remuneration to Board members

In accordance with the resolution of the Annual General Meeting, the fees paid to members of the Board, for the term April 2017 – April 2018, amount to SEK 6,180,000 (5,960,000), consisting of SEK 1,550,000 (1,430,000) to the Chairman, SEK 640,000 (610,000) to the Deputy Chairman and SEK 570,000 (560,000) to each of the other members elected by the Annual General Meeting, with the exception of the President.

For audit committee work during the term April 2017 – April 2018, committee chairman Joakim Westh also received a fee of SEK 225,000 (Per-Arne Sandström 200,000) and committee members Erika Söderberg Johnson and Daniel Nodhäll each received a fee of SEK 150,000 (Johan Forsell and Joakim Westh 135,000 each).

For remuneration committee work, during the term April 2017 – April 2018, committee chairman Sten Jakobsson also received a fee of SEK 135,000 (Lena Treschow Torell 135,000) and committee members Marcus Wallenberg SEK 80,000 (80,000) and Bert Nordberg received a fee of SEK 80,000 (Sten Jakobsson 80,000).

Remuneration to Board members and committee members recognised as cost for fiscal year 2017 is shown in the table on page 92.

Remuneration to the President

The remuneration to the President and CEO consists of a fixed salary. No short-term variable remuneration is paid. The preparation process for compensation issues regarding the President is handled by the Board's Remuneration Committee according to the principles laid down by the Annual General Meeting and then voted on by the Board.

Håkan Buskhe has participated since 1 September 2010 in the Performance Share Plans approved by each Annual General Meeting from 2009 to 2016 and in the Share Matching Plans for 2011-2016. As of May 2017, Håkan Buskhe has participated in Saab's Special Projects Incentive resolved by the Annual General Meeting 2017 as a complement to the Performance Share Plan 2016. In December 2017, the one-year performance period concluded for Saab's Special Projects Incentive 2017. The Board determined that seven of the eight performance targets had been met, resulting in an outcome of 87.5 per cent. Performance shares will be allotted in May 2020.

Outstanding matching rights in Saab's Performance Share Plan and Share Matching Plan 2013 amounted to SEK 554,363 (2,600,965) as of 31 December 2017 at estimated outcomes and in Saab's Performance Share Plan and Share Matching Plan 2014 to SEK 2,462,517 (1,392,788) at estimated outcomes. Corresponding figures for Saab's Performance Share Plan and Share Matching Plan 2015 are SEK 1,882,252 (478,142) at estimated outcomes, and Saab's Performance Share Plan together with the Share Matching Plan 2016 and Special Projects Incentive 2017 amounted to SEK 1 736,598 at estimated outcomes.

During the period 1 January through 31 December 2017, Håkan Buskhe received salary and other benefits totalling SEK 18,814,165 (16,575,461), of which other benefits, including share related plans, amounted to SEK 5,106,662 (2,964,874).

Pension terms

The retirement age for the President is 62 years. The President has a defined-contribution pension plan and may decide himself on the payment term, though within the provisions of Swedish income tax law. The pension cost for Saab consists of pension premiums amounting to 35 per cent of the fixed salary. Pension premiums are paid as long as the President remains an employee of the company, but not beyond the age of 62.

To this is added the cost of pension premiums according to the ITP plan. The pension commitment is vested.

For 2017, the cost of Håkan Buskhe's pension, including ITP, was SEK 4,979,931 (4,808,228).

Severance terms

If terminated by the company, the President will receive a salary and pension benefits for a period of six months (period of notice). Thereafter he will receive severance pay equivalent to one year of salary, based on his current fixed salary. If the President does not obtain new employment, he will receive an additional six months of severance pay. The severance will be deducted from income received from other employment during the same period. If the President resigns voluntarily, there is a six-month period of notice with salary and pension benefits, but no severance pay. The President's agreement includes a non-compete clause.

Remuneration to other senior executives

The group of other senior executives included 12 individuals (10) at 31 December 2017: the Executive Vice Presidents, the Heads of the Business Areas and the Heads of Group staffs. At 31 December 2017, Group Management was comprised of Håkan Buskhe (President), Micael Johansson, Magnus Örnberg, Görgen Johansson, Anders Carp, Jonas Hjelm, Gunnar Wieslander, Ann-Kristin Adolfsson, Ellen Molin, Annika Båremo, Jessica Öberg, Sebastian Carlsson, and Lena Eliasson.

The remuneration paid to other senior executives consists of a fixed salary. No short-term variable remuneration is paid. Compensation issues regarding the other senior executives are prepared by the Head of Group Human Resources and presented to the President, who makes a decision pending the approval of the Compensation Committee and the Board.

As of November 2008, all eligible executives participate in Saab's Performance Share Plans resolved by each Annual General Meeting from 2009 through 2016 as well as the Share Matching Plans 2011-2016.

As of May 2017, all eligible executives participate in Saab's Special Projects Incentive 2017 resolved by Annual General Meeting 2017 as a complement to the Performance Share Plan 2016. In December 2017, the one-year performance period concluded for Saab's Special Projects Incentive 2017. The Board determined that seven of the eight performance targets had been met, resulting in an outcome of 87.5 per cent. Performance shares will be allotted in May 2020. Outstanding matching rights in Saab's Performance Share Plan and Share Matching Plan 2013 amounted as of 31 December 2017 to SEK 624,855 (3,923,300) at estimated outcomes, in Saab's Performance Share Plan and Share Matching Plan 2014 to SEK 2,882,456 (2,629,207) at estimated outcomes, in Saab's Performance Share Plan and Share Matching Plan 2015 to SEK 2,423,750 (915,983) at estimated outcomes, and in Saab's Performance Share Plan and Share Matching Plan 2016 and Special Projects Incentive 2017 to SEK 3,335,477 at estimated outcomes.

In 2017, other senior executives received salaries and other benefits totalling SEK 50,679,766 (41,987,229), of which other benefits, including share related plans, amounted to SEK 9,739,628 (7,204,460).

Pension terms

As of 1 January 2005, a pension age of 62 years applies to all other senior executives. However, two persons have a pension age according to existing law and collective agreement.

In addition to ITP, 10 members (9) of the group are affiliated with the Saab plan, which is defined-contribution and vested. The Saab plan provides pension benefits in addition to ITP or its equivalent on salary levels between 20 and 30 basic amounts as well as on salary segments over 30 basic amounts. The individuals themselves can decide on the payment term, though within the provisions of Swedish income tax law. Moreover, an insurance policy finances the period between the agreed pension age, 62 years, and 65 years.

The pension cost for Saab consists of pension premiums, which are based on a percentage of qualifying salaries. The percentage rate is determined by each executive's time remaining until agreed pension age, 62 years, when joining the plan. The aggregate insurance balance should cover a targeted pension from 65 years of approximately 32.5 per cent of salary levels between 20 and 30 basic amounts and approximately 50 per cent of segments over 30 basic amounts of qualifying salaries. Premium payments continue as long as the individuals remain in their positions or as employees of the company.

Pension obligations are vested. In 2017, pension costs for other senior executives, including ITP and its equivalent, amounted to SEK 14,748,622 (13,277,774). Other senior executives are entitled, or obliged if the company so requests, to retire on pension as of the agreed retirement age of 62 years.

Severance terms and severance pay

If terminated by the company, the group of other senior executives normally receives salary and pension benefits for six months (period of notice). Thereafter 10 senior executives receive severance pay, according to agreement, equivalent to a maximum of 18 months of salary, based on their fixed salary. Severance is paid monthly with the first payment in the month after the employment has ended. Severance is not paid for the period falling after the contractual pension age. Executives hired before 1 January 2005 who have reached the age of 55 are entitled to an additional six months of severance. Together, the term of notice and severance may not exceed 24 months.

The severance will be deducted from income received from other employment during the same period. If they resign voluntarily, there is a six-month period of notice with salary and pension benefits, but no severance pay.

Other benefits

All senior executives have a company car and medical insurance. Several senior executives also have benefits in the form of overnight housing and travel.

Note 10, cont.

Summary of compensation and other benefits during 2017

SEK	Base salary/ Board and committee fee	Share related plans ³⁾	Other benefits ²⁾	Pension cost	Total	Outstanding matching rights in share related plans at estimated outcomes ³⁾
Chairman of the Board						
Marcus Wallenberg	1,600,000	-	-	-	1,600,000 ¹⁾	-
Deputy Chairman						
Sten Jakobsson	753,750	-	-	-	753,750	-
Other Board members						
Sara Mazur	567,500	-	-	-	567,500 ¹⁾	-
Johan Forssell	173,750	-	-	-	173,750	-
Per-Arne Sandström	190,000	-	-	-	190,000 ¹⁾	-
Cecilia Stegö Chilò	567,500	-	-	-	567,500 ¹⁾	-
Lena Treschow Torell	173,750	-	-	-	173,750 ¹⁾	-
Joakim Westh	770,000	-	-	-	770,000 ¹⁾	-
Bert Nordberg	627,500	-	-	-	627,500 ¹⁾	-
Danica Kragic Jensfelt	427,500	-	-	-	427,500	-
Daniel Nodhäll	540,000	-	-	-	540,000	-
Erika Söderberg Johnson	540,000	-	-	-	540,000 ¹⁾	-
President and CEO Håkan Buskhe	13,707,503	4,970,946	135,716	4,979,931	23,794,096	6,635,730
Other senior executives	40,940,138	7,918,850	1,820,788	14,748,622	65,428,388	9,266,537
Total	61,578,891	12,889,796	1,956,494	19,728,553	96,153,734	15,902,267

¹⁾ Social security costs are additional, since the fees are invoiced through a limited company. Board members who invoice their Board and Committee fees through a limited company may on their invoices add social security contributions. The social security contributions included in the invoiced amount may not exceed the employer's contribution that the company otherwise would have paid.

²⁾ Including compensation for the additional costs incurred due to the benefits.

³⁾ Share related plans relate to Share Matching Plans, Performance Share Plans and Special Projects Incentive.

Guidelines for remuneration and other benefits for senior executives are described in the administration report.

Summary of compensation and other benefits during 2016

SEK	Base salary/ Board and committee fee	Share related plans ³⁾	Other benefits ²⁾	Pension cost	Total	Outstanding matching rights in share related plans at estimated outcomes ³⁾
Chairman of the Board						
Marcus Wallenberg	1,502,500	-	-	-	1,502,500 ¹⁾	-
Deputy Chairman						
Sten Jakobsson	687,500	-	-	-	687,500	-
Other Board members						
Sara Mazur	557,500	-	-	-	557,500	-
Johan Forssell	688,750	-	-	-	688,750	-
Per-Arne Sandström	752,500	-	-	-	752,500 ¹⁾	-
Cecilia Stegö Chilò	557,500	-	-	-	557,500 ¹⁾	-
Lena Treschow Torell	692,500	-	-	-	692,500 ¹⁾	-
Joakim Westh	688,750	-	-	-	688,750 ¹⁾	-
Bert Nordberg	420,000	-	-	-	420,000 ¹⁾	-
President and CEO Håkan Buskhe	13,610,587	2,751,150	213,724	4,808,228	21,383,689	4,547,886
Other senior executives	34,782,769	4,802,000	2,402,460	13,277,774	55,265,003	7,628,211
Total	54,940,856	7,553,150	2,616,184	18,086,002	83,196,192	12,176,097

¹⁾ Social security costs are additional, since the fees are invoiced through a limited company. Board members who invoice their Board and Committee fees through a limited company may on their invoices add social security contributions. The social security contributions included in the invoiced amount may not exceed the employer's contribution that the company otherwise would have paid.

²⁾ Including compensation for the additional costs incurred due to the benefits.

³⁾ Share related plans relate to both Share Matching Plans and Performance Share Plans.

SHARE-BASED PAYMENT

ACCOUNTING PRINCIPLES

Share-based payment refers solely to remuneration to employees, including senior executives. Share-based payment settled with the company's shares or other equity instruments is comprised of the difference between the fair value at the time these plans were issued and the consideration received. This remuneration is recognised as staff costs during the vesting period. To the extent the vesting conditions in the plan are tied to market factors (such as the price of the company's shares), they are taken into consideration in determining the fair value of the plan. Other conditions (such as earnings per share) affect staff costs during the vesting period by changing the number of shares or share-related instruments that are expected to be paid.

Saab has a Share Matching Plan where all permanent employees are entitled to participate. The payroll expenses for matching shares in the plan are recognised during the vesting period based on the fair value of the shares. The employees pay a price for the share that corresponds to the share price on the investment date. Three years after the investment date, employees are allotted as many shares as they purchased three years earlier, provided that they are still employees of the Saab Group and that the shares have not been sold. In certain countries, social security expenses are paid on the value of the employee's benefit when matching takes place. During the vesting period, provisions are allocated for these estimated social security expenses. Share repurchases to fulfil the commitments of Saab's Share Matching Plans are recognised in equity.

In addition, there is a Performance Share Plan for senior executives and other key employees that entitles them to performance shares, depending on the employee category to which they belong, as well as a Special Projects Incentive, as a complement to the Performance Share Plan. The plans entitle the employee to performance shares depending on group affiliation, provided that they are still employed after three years and that the performance targets were met.

Long-term incentive programme

The Annual General Meeting of Saab has resolved for a number of years to offer a long-term incentive programme consisting of two parts: a Share Matching Plan and a Performance Share Plan. The Board considers it important that Saab's employees share a long-term interest in the appreciation of the company's shares. In April 2017, the Annual General Meeting also resolved to introduce a third plan, the Special Projects Incentive, as a complement to the Performance Share Plan. The plans are now designated by calendar year, which corresponds to the savings period. The long-term incentive programme comprises not more than 1,340,000 Series B shares in Saab per year.

Since 2007, Saab offers permanent employees the opportunity to participate in the Share Matching Plan. Employees can withhold up to 5 per cent of their gross base salary to purchase Series B shares on Nasdaq Stockholm during a twelve-month period. Provided that a participant retains the purchased shares for three years after the investment date and is still employed by the Saab Group, the participant will be allotted a corresponding number of Series B shares free of charge. Currently, Share Matching Plans 2014–2018 are in place.

Since 2008, Saab also has a Performance Share Plan for senior executives and key employees.

In April 2014, Saab's Annual General Meeting resolved to modify the Performance Share Plan to increase the interest in the target group. The Performance Share Plan now covers a maximum of 175 key employees, including the President. Participants can save up to 7.5 per cent of their base salary to purchase Series B shares during a twelve-month period, while participating in the Share Matching Plan as well, but only up to a maximum of 5 per cent of base salary. Depending on which category they belong to, participants are entitled to 2–7 performance shares for each purchased share.

Participants are entitled to matching of performance shares, free of consideration, provided that the performance targets are achieved and the participants have retained the purchased shares for three years after the investment date and remain employed by the Saab Group.

The number of performance shares is linked to the performance targets established by the Board of Directors. The terms for the performance matching are based on three independent targets for a one-year performance period: organic sales growth¹⁾, EBIT margin²⁾ and free cash flow³⁾. The relative apportionment between the targets is as follows: 30 per cent of the allotment is attributable to organic sales growth, 40 per cent to EBIT margin and 30 per cent to free cash flow. The performance targets are established by the Board of Directors with a minimum and maximum level for each target. The Board of Directors decides on the performance matching after the end of the one-year performance period. If the maximum levels for the performance targets are reached or exceeded, the performance matching will amount to (and not exceed) the maximum of 360,000⁴⁾ shares. If the performance outcome falls short of the maximum level but exceeds the minimum level, a linear proportionate performance matching will occur. No performance matching will occur if the performance outcome is equal to or below the minimum level.

Before the performance matching is ultimately determined, the Board of Directors will assess whether it is reasonable in relation to the company's financial

results and position, conditions in the stock market and other circumstances. If it determines that this is not the case, the Board of Directors will reduce the number of performance shares that will be matched to the lower number of shares it considers appropriate.

Performance shares are allotted three years after the investment. Currently, Performance Share Plans 2014–2018 are ongoing.

Since April 2017, Saab has introduced a new programme, the Special Projects Incentive, as a complement to the Performance Share Plan. The Special Projects Incentive is directed at a maximum of 45 key employees, including the President. Participation in the new programme presupposes participation in the Performance Share Plan or the Share Matching Plan. The programme entitles the employee to allotment of performance shares corresponding to 15–52.5 per cent of the cash base salary for the current financial year depending on group affiliation, provided that the employment remains for three years and that performance targets are reached. Performance shares are allotted after three years based on the achievement during the current financial year of eight equally weighted performance targets related to Saab's special projects within selected product areas. For the President and other members of the Group Management, the total allotment of shares in the new programme and the Performance Share Plan together amounts to a maximum of 75 per cent of the cash base salary for the President and 60 per cent of the cash base salary for the other members of the Group Management. The programme covers a maximum of 80,000 Series B shares in Saab.

¹⁾ Adjusted for acquisitions and divestments as well as exchange rate differences.

²⁾ Adjusted for acquisitions and divestments as well as non-recurring items.

³⁾ Adjusted for acquisitions and divestments as well as non-recurring items.

⁴⁾ The programmes 2014–2016 comprised 440,000 shares

EVENTS 2017

2013 Share Matching Plan and Performance Share Plan

In the Share Matching Plan 2013, shares were matched three times in 2017 and once in January 2018, for a total of 330,071 shares, after which the plan was closed. Following the conclusion of the measurement period for the Performance Share Plan 2013, on 31 December 2016, it was determined that the requirement of annual average earnings per share growth of 5–15 per cent had been achieved during the three-year period. The Board of Directors approved performance matching and participants received the maximum matching award. Performance matching took place on three occasions in 2017 and once in January 2018 with a total of 78,568 shares. The plan is closed.

2014 Share Matching Plan and Performance Share Plan

In the Share Matching Plan, shares will be matched three times in 2018 and once in February 2019. After the end of the one-year performance period for the Performance Share Plan 2014, on 31 December 2015, it was determined that the targets had partly been achieved and the Board of Directors approved performance matching as follows. Performance matching will take place three times in 2018 and once in February 2019.

Performance Share Plan 2014	Reported outcome	Outcome performance targets, %	Weighted, %	Allotment, %
Organic sales growth	11%	73	30	22
EBIT margin ¹⁾	6.7%	60	40	24
Free cash flow ²⁾	MSEK -807	-	30	-
Total allotment				46

¹⁾ Adjusted for acquisitions and divestments as well as non-recurring items, including restructuring costs related to the reorganisation of the former business area Security and Defence Solutions for the full year 2015.

²⁾ Previously named operating cash flow. Adjusted for acquisitions and divestments of operations, group and associated companies.

2015 Share Matching Plan and Performance Share Plan

In the Share Matching Plan, shares will be matched three times in 2019 and once in February 2020. After the end of the one-year performance period for the Performance Share Plan 2015, on 31 December 2016, it was determined that the targets had partly been achieved and the Board of Directors approved performance matching as follows. Performance matching will take place three times in 2019 and once in February 2020.

Performance Share Plan 2015	Reported outcome	Outcome performance targets, %	Weighted, %	Allotment, %
Organic sales growth	5%	73	30	22
EBIT margin	6.3%	10	40	4
Free cash flow	MSEK 2,359	100	30	30
Total allotment				56

Note 10, cont.

2016 Share Matching Plan and Performance Share Plan

In the Share Matching Plan, shares will be matched three times in 2020 and once in February 2021. After the end of the one-year performance period for the Performance Share Plan 2016, on 31 December 2017, it was determined that the targets had partly been achieved and the Board of Directors approved performance matching as follows. Performance matching will take place three times in 2020 and once in February 2021.

Performance Share Plan 2016	Reported outcome	Outcome performance targets, %	Weighted, %	Allotment, %
Organic sales growth	10%	58	30	17
EBIT margin	6.9%	-	40	-
Free cash flow	MSEK 852	100	30	30
Total allotment				47

2017 Special Projects Incentive

After the end of the one-year performance period for the Special Projects Incentive (SPI) 2017, on 31 December 2017, it was determined that seven of the eight performance targets had been met, resulting in an outcome of 87.5 per cent of the aggregate performance targets.

The eight performance targets in SPI 2017 were operating goals and milestones related to the product areas Gripen, AEW&C and submarines. The milestones consisted, for example, of various steps in a development project that were essential to its implementation. The targets were tied to among other things construction and design approvals in the Critical Design Reviews and Test Readiness Reviews. There were also performance targets tied to the physical delivery of key subsystems or maiden flight of a new platform. Due to the nature of the defence industry, further information on the individual performance targets cannot be provided.

Performances have been reviewed by Saab's internal audit and the external auditor, PwC.

The Board of Directors resolved to allot 87.5 per cent of the maximum allotment of performance shares in the plan. The performance shares in SPI 2017 will be delivered in May 2020.

2018 Share Matching Plan, Performance Share Plan and Special Projects Incentive.

In April 2017, Saab's Annual General Meeting resolved as in previous years to offer employees the opportunity to participate in a Long-Term Incentive Programme, LTI 2018, consisting of a Share Matching Plan and a Performance Share Plan with the same terms as previous programmes.

In November 2017, Saab's Board of Directors also proposed a Special Projects Incentive 2018 with the same terms as the Special Projects Incentive 2017. The introduction of and notification of participation in the Special Projects Incentive 2018 in November 2017 is contingent on the resolution of the Annual General Meeting in April 2018. Any performance shares in the Special Projects Incentive 2018 will be allotted in February 2021. All the plans started in January 2018 and expire in February 2022. The performance period for the two performance related plans is the calendar year 2018.

Number of Series B shares purchased and number of participants, Share Matching Plans, 2013–2016

Share Matching Plan	Number of shares	Number of participants
2013	389,346	3,781
2014	448,921	4,997
2015	369,530	5,310
2016	286,715	6,501

Number of Series B shares purchased and number of participants, Performance Share Plans, 2013–2016

Performance Share Plan	Number of shares	Number of participants
2013	53,307	164
2014	48,935	145
2015	41,135	151
2016	29,165	155

Share Matching Plan (number of shares in thousands)

	2013	2014	2015	2016	Total
Number of matching shares eligible at beginning of the year	349	418	307	-	1,074
Allotted during the year (purchased shares)	-	-	56	287	343
Early share matching	-6	-8	-6	-1	-21
Ordinary share matching	-278	-	-	-	-278
Forfeited	-6	-12	-12	-5	-35
Number of matching shares eligible at year-end	59	398	345	281	1,083
Number of participants, 31-12-2017	3,088	4,354	4,900	6,255	
% of total number of employees	19	27	31	39	
Average remaining maturity, years	0,0	0,8	1,8	2,8	

Performance Share Plan (number of shares in thousands)

	2013	2014	2015	2016	Total
Number of matching shares eligible at beginning of the year	48	44	34	-	126
Allotted during the year (purchased shares)	-	-	6	29	35
Early share matching	-2	-1	-1	-	-4
Ordinary share matching	-38	-	-	-	-38
Forfeited	-	-2	-	-	-2
Number of matching shares eligible at year-end	8	41	39	29	117
Number of participants, 31-12-2017	133	129	145	155	
Average remaining maturity, years	0,0	0,8	1,8	2,8	

Total number of shares eligible at year-end (number of shares in thousands)

	2013	2014	2015	2016	Total
Share Matching Plan	59	398	345	281	1,083
Performance Share Plan	8	41	39	29	117
Less: Shares included in both plans	-8	-41	-39	-29	-117
Total	59	398	345	281	1,083

Recognised expense for above-mentioned plans, including social security expenses, MSEK

	2017	2016
Share Matching Plan 2012	-	36
Share Matching Plan 2013	34	35
Share Matching Plan 2014	49	46
Share Matching Plan 2015	48	17
Share Matching Plan 2016	20	-
Performance Share Plan 2013	6	6
Performance Share Plan 2014	7	6
Performance Share Plan 2015	9	3
Performance Share Plan 2016	3	-
Special Projects Incentive 2017	7	-
Total	183	149

The expense for the share matching plans is included in operating income and is recognised in the balance sheet as equity and accrued expenses (social security expenses). Administrative expenses for the share matching plans amounted to MSEK 5 (4) in 2017.

The expense is based on the share price of the matching shares that are expected to be allotted. The share price is determined at the time of the participants' investment adjusted by the dividend that does not accrue to the employee during the vesting period.

NOTE 11 AUDITORS' FEES AND COMPENSATION

MSEK	Group		Parent Company	
	2017	2016	2017	2016
PwC				
Audit assignments	20	18	11	10
<i>where of PwC Sweden</i>	14			
Audit work in excess of the audit assignment	2	4	2	4
<i>where of PwC Sweden</i>	2			
Tax advice	-	1	-	-
Other services	1	-	1	-
<i>where of PwC Sweden</i>	1			
Other audit firms				
Audit assignments	3	3	-	-
Total	26	26	14	14
<i>where of PwC Sweden</i>	17			

Audit assignments refer to expenses for the statutory audit, i.e. the work that was necessary to issue the audit report as well as advice in connection with the audit assignment.

Audit work in excess of the audit assignment relates to expenses for opinions and other assignments associated to a fairly high degree with audits and which are normally performed by the external auditor, including consultations on advisory and reporting requirements, internal control and the review of interim reports. For 2017, the external auditors' assignment as mandated by law amounted to a negligible sum.

Other services relate to expenses that are not classified as audit assignments, audit work in excess of the audit assignment and tax advice.

NOTE 12 DEPRECIATION/AMORTISATION AND WRITE-DOWNS

MSEK	Group	
	2017	2016
Depreciation/amortisation		
Capitalised development costs	-160	-311
Other intangible fixed assets	-124	-142
Operating properties	-92	-92
Plant and machinery	-240	-223
Equipment, tools and installations	-223	-178
Total	-839	-946

MSEK	Parent Company	
	2017	2016
Depreciation/amortisation		
Capitalised development costs	-56	-200
Goodwill	-40	-40
Other intangible fixed assets	-75	-96
Buildings	-57	-58
Plant and machinery	-134	-121
Equipment, tools and installations	-129	-116
Total	-491	-631

No write-downs were recognised during 2017 or 2016.

NOTE 13 FINANCIAL INCOME AND EXPENSES

MSEK	Group	
	2017	2016
Interest income on loans receivable	49	33
Financial income from revaluation and disposal of financial assets and liabilities measured at fair value through profit or loss	64	48
Other financial income	8	9
Financial income	121	90
Interest expenses on loans and financial liabilities	-149	-109
Financial expenses from revaluation and disposal of financial assets and liabilities measured at fair value through profit or loss	-	-62
Financial expenses related to pensions	-69	-60
Other financial expenses	-54	-45
Financial expenses	-272	-276
Net financial income and expenses	-151	-186

Parent Company	Result from shares in Group companies		Result from shares in associated companies/joint ventures	
	2017	2016	2017	2016
MSEK				
Dividends	73	1,131	-	-
Group contributions received	470	276	-	-
Capital gain on sale of shares	-	75	6	11
Write-downs	-13	-1,058	-	-
Other	-5	6	-	-
Total	525	430	6	11

Parent Company	Result from other securities and receivables held as fixed assets		Other interest income and similar profit/loss items	
	2017	2016	2017	2016
MSEK				
Interest income, Group companies	-	-	82	75
Other interest income	-	-	38	35
Dividend	5	1	-	-
Translation differences	29	-14	-	-
Net change in value from revaluation of financial assets/liabilities	21	17	-	-
Other	-31	-20	-	-
Total	24	-16	120	110

Parent Company	Interest expenses and similar profit/loss items	
	2017	2016
MSEK		
Interest expenses, Group companies	-12	-11
Other interest expenses	-144	-207
Total	-156	-218

NOTE 14 APPROPRIATIONS

MSEK	Parent Company	
	2017	2016
Buildings and land	-	-2
Plant and machinery as well as equipment, tools and installations	-52	-49
Total difference between tax depreciation and depreciation according to plan	-52	-51
Tax allocation reserve	41	-90
Total	-11	-141

NOTE 15 TAXES**ACCOUNTING PRINCIPLES**

Income taxes are recognised in profit or loss and consist of current tax and deferred tax. When the underlying transaction is recognised in other comprehensive income, for example the revaluation of the net pension obligations, the related tax effect is also recognised in other comprehensive income.

Current tax is the tax paid or received for the current year, applying the tax rates that have been set as of the closing day. Adjustment is made for current tax attributable to previous periods.

Deferred tax is calculated according to the balance sheet method based on temporary differences. Temporary differences constitute the difference between the carrying amount of assets and liabilities and their value for tax purposes.

Deductible temporary differences are not taken into account in the initial reporting of assets and liabilities other than a business combination and which, at the time of the transaction, do not affect either the recognised or taxable result. Moreover, temporary differences are not taken into account if they are attributable to shares in subsidiaries, associated companies, and joint ventures that are not expected to be reversed within the foreseeable future. The valuation of deferred tax is based on how assets or liabilities are expected to be realised or settled. Deferred tax is calculated by applying the tax rates and tax rules that have been set as of the closing day.

Deferred tax assets from deductible temporary differences and tax loss carry forwards are only recognised to the extent it is likely that they will be utilised. The value of deferred tax assets is reduced when it is no longer considered likely that they can be utilised. Deferred tax assets are set off against deferred tax liabilities when the receivable and liability refer to the same tax authority.

Tax recognised through profit or loss

Net tax is comprised of current tax and deferred tax. Current tax is calculated based on applicable tax laws in the countries in which parent company and subsidiaries are active and generate taxable income.

MSEK	Group	
	2017	2016
Current tax expense (-)/tax income (+)		
Taxes for the year	-412	-144
Adjustment for taxes related to previous years	6	3
Total	-406	-141
Deferred tax expense (-)/tax income (+)		
Deferred tax related to temporary differences	-74	-252
Deferred tax related to value of tax loss carry forwards capitalised during the year	26	21
Deferred tax expense due to utilisation of previously capitalised tax value in tax loss carry forwards	-108	-59
Deferred tax related to previous years	-4	-5
Total	-160	-295
Total recognised tax in the Group	-566	-436

The Group's overall deferred tax amounted to MSEK -160 (-295) and current tax expense for the year amounted to MSEK -406 (-141), producing a total recognised tax of MSEK -566 (-436) in the consolidated income statement.

The effect on deferred tax related to changed tax rates amounted to MSEK -80 in total. Temporary differences amounted to MSEK -34 and utilisation of balanced loss carry forward amounted to MSEK -46.

The table "Change in deferred tax in temporary differences and tax loss carry forwards" for the Group, on page 97, specifies how deferred tax affected income.

MSEK	Parent Company	
	2017	2016
Current tax expense (-)/tax income (+)		
Taxes for the year	-224	-70
Adjustment for taxes related to previous years	17	-
Total	-207	-70
Deferred tax expense (-)/tax income (+)		
Deferred tax related to temporary differences	-2	-3
Deferred tax related to previous years	-8	-
Total	-10	-3
Total recognised tax in the Parent Company	-217	-73

Reconciliation of effective tax

MSEK	Group			
	2017 (%)	2017	2016 (%)	2016
Income before taxes		2,004		1,611
Tax according to current tax rate for the Parent Company	-22.0	-441	-22.0	-354
Effect of other tax rates for foreign operations	-0.7	-15	-0.4	-7
Effect on changed tax rate	-4.0	-80	-	-
Non-deductible expenses	-2.1	-42	-3.8	-61
Tax-exempt income	1.5	30	3.5	57
Revaluation of deferred tax assets	-	-	-3.7	-60
Tax on utilisation of previously non-capitalised tax loss carry forwards	-1.0	-20	-0.4	-6
Tax related to previous years	0.1	2	-0.1	-2
Other	-	-	-0.1	-3
Reported effective tax	-28.2	-566	-27.0	-436

The United States Tax Cuts and Jobs Act (the "Act") was signed into law on 22 December 2017 and introduces significant changes in US tax laws taking effect on 1 January 2018. Also some states changed their tax laws. The Saab Group is affected by these changes due to its US operations. In accordance with IAS 12 Income Taxes, the deferred tax assets and liabilities attributable to the US operations have been remeasured based on the changes in tax rates in the Act. Due to the fact that the US operations mainly have deferred tax assets, the total effect is a deferred tax expense of MSEK 80.

Capital gains/losses from sale of Group companies, associated companies and other shares have affected tax-exempt income by MSEK 0 (51).

MSEK	Parent Company			
	2017 (%)	2017	2016 (%)	2016
Income before taxes		866		170
Tax according to current tax rate for the Parent Company	-22.0	-190	-22.0	-37
Tax allocated to foreign operations	-2.0	-17	-5.0	-9
Non-deductible expenses	-5.1	-44	-184.1	-313
Tax-exempt income	3.0	26	168.2	286
Tax related to previous years	0.9	8	-	-
Reported effective tax	-25.1	-217	-42.9	-73

Note 15, cont.

Change in deferred tax in temporary differences and tax loss carry forwards

Group, MSEK	Intangible fixed assets	Tangible fixed assets	Inventories	Provisions for pensions	Other provisions	Tax allocation reserves	Contingency reserve ¹⁾	Tax loss carry forwards	Other	Total	Tax set-off	Deferred tax assets/liabilities, net
Opening balance 1 Jan 2016	-309	-466	257	617	307	-390	-299	354	246	317		317
Recognised in profit or loss	-87	-6	-30	13	-116	-19	-	-38	-12	-295		-295
Recognised in other comprehensive income	-	-	-	137	-	-	-	-	39	176		176
Acquisition/divestment of operations	-8	2	-	-	-	-	-	1	-	-5		-5
Translation differences	-5	-4	10	1	3	-	-	20	4	29		29
Closing balance 31 Dec 2016	-409	-474	237	768	194	-409	-299	337	277	222		222
Of which, deferred tax assets	2	7	237	768	195	-	-	337	430	1,976	-1,724	252
Of which, deferred tax liabilities	-411	-481	-	-	-1	-409	-299	-	-153	-1,754	1,724	-30
Opening balance 1 Jan 2017	-409	-474	237	768	194	-409	-299	337	277	222		222
Recognised in profit or loss	-131	-12	-9	23	-9	8	79	-82	-27	-160		-160
Recognised in other comprehensive income	-	-	-	43	-	-	-	-	-137	-94		-94
Acquisition/divestment of operations	-5	-4	-	-	-	-1	-	-	-	-10		-10
Translation differences	3	1	-6	-1	-2	-	-	-14	-2	-21		-21
Closing balance 31 Dec 2017	-542	-489	222	833	183	-402	-220	241	111	-63		-63
Of which, deferred tax assets	3	13	222	833	184	-	-	241	275	1,771	-1,560	211
Of which, deferred tax liabilities	-545	-502	-	-	-1	-402	-220	-	-164	-1,834	1,560	-274

¹⁾ Attributable to Lansen Försäkrings AB.

The Group's total deferred tax income/expense in the 2017 income statement amounted to MSEK -160 (-295). The Group's total deferred tax income/expense in the statement of comprehensive income amounted to MSEK -94 (176). The closing balance on 31 December 2017, MSEK -63 (222), consisted of deferred tax assets of MSEK 211 (252) and tax liabilities of MSEK -274 (-30).

The net change in the year's tax loss carry forwards, excluding acquisition/divestment of operations and translation differences, amounted to MSEK -82 (-38), which is the amount of deferred tax on capitalised tax value in tax loss carry forwards, MSEK 26 (21), and deferred tax expense due to utilisation of previously capitalised tax value in tax loss carry forwards, MSEK -108 (-59).

Other numbers in the "Recognised in profit or loss" row in the table above amounted to MSEK -78 (-257), which is the amount of deferred tax related to temporary differences and deferred tax attributable to previous years.

Note 15, cont.

Tax items recognised directly against other comprehensive income

MSEK	Group	
	2017	2016
Provisions for pensions	43	137
Cash flow hedges	-137	39
Total	-94	176

Expiration of recognised and unrecognised tax loss carry forwards in the Group

MSEK Expiration	Recognised tax loss carry forwards	Unrecognised tax loss carry forwards
Unlimited expiration	690	153
2024	17	-
2031	169	-
2032	4	-
2034	134	-
Total tax loss carry forwards	1,014	153

Recognised deferred tax asset	241	-
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Tax loss carry forwards attributable to the US operations can be utilised through 2034, but expire in part as of 2031. Due to the changes in US tax laws, the tax loss carry forwards attributable to the US operations have been calculated based on the changed tax rates. The deferred tax asset related to the US tax loss carry forwards have been reduced with approximately MSEK 46.

At the close of 2017, the Saab Group's unrecognised tax loss carry forwards amounted to MSEK 153 (62).

Parent Company MSEK	Deferred tax assets 31-12-2017	Deferred tax liabilities 31-12-2017	Net
Tangible fixed assets	-	-218	-218
Inventories	98	-	98
Accounts receivable	3	-	3
Provisions for pensions	124	-	124
Other provisions	52	-	52
Long-term liabilities	2	-	2
Accrued expenses and deferred income	42	-	42
Tax assets/liabilities, total	321	-218	103
Set-off	-218	218	-
Tax assets/liabilities, net	103	-	103

Parent Company MSEK	Deferred tax assets 31-12-2016	Deferred tax liabilities 31-12-2016	Net
Tangible fixed assets	-	-206	-206
Inventories	95	-	95
Accounts receivable	2	-	2
Provisions for pensions	98	-	98
Other provisions	53	-	53
Long-term liabilities	2	-	2
Accrued expenses and deferred income	44	-	44
Tax assets/liabilities, total	294	-206	88
Set-off	-206	206	-
Tax assets/liabilities, net	88	-	88

The change in deferred tax assets and liabilities in the Parent Company, Saab AB, has been recognised in profit or loss.

Estimated utilisation dates of recognised deferred tax assets

MSEK	Group	Parent Company
Deferred tax assets expected to be recovered within one year	135	59
Deferred tax assets expected to be recovered after one year	1,636	262

Estimated utilisation dates of recognised deferred tax liabilities

MSEK	Group	Parent Company
Deferred tax liabilities due for payment within one year	168	30
Deferred tax liabilities due for payment after one year	1,665	188

NOTE 16 EARNINGS PER SHARE

	2017	2016
Net income for the year attributable to Parent Company's shareholders (MSEK)	1,407	1,133
Weighted average number of common shares outstanding:		
before dilution (thousands)	106,602	106,164
after dilution (thousands)	107,401	106,907
Earnings per share, before dilution (SEK)	13.20	10.67
Earnings per share, after dilution (SEK)	13.10	10.60

The weighted average number of shares outstanding before dilution refers to the total number of shares in issue less the average number of repurchased treasury shares. The weighted average number of shares outstanding after dilution is based on the effects of all potential shares (Share Matching Plan and Performance Share Plan) that give rise to a dilution effect.

NOTE 17 INTANGIBLE FIXED ASSETS

ACCOUNTING PRINCIPLES

Goodwill

Goodwill is distributed among cash-generating units and tested annually for impairment in the fourth quarter. Goodwill arising through the acquisition of associated companies and joint ventures is included in the carrying amount of the shares in the associated company and joint venture.

In acquisitions where the cost is less than, on the one hand, the net of the cost of the Group company's shares, the value of non-controlling interests in the acquired company and the fair value of the previously owned interest and, on the other, the carrying amount of the acquired assets and assumed liabilities in the acquisition analysis, the difference is recognised directly through profit or loss.

Research and development

Expenditures for research undertaken in an effort to gain new scientific or technological knowledge are expensed when incurred.

Expenditures for development, where the research results or other knowledge is applied to new or improved products or processes, are recognised as an asset in the statement of financial position from the time when the product or process in the future is expected to be technically and commercially usable, the company has sufficient resources to complete development and subsequently use or sell the intangible asset, and the product or process is likely to generate future economic benefits. The carrying amount includes expenditures for material, direct expenditures for salaries and, if applicable, other expenditures that are considered directly attributable to the asset. Other expenditures for development are recognised in profit or loss as an expense when they arise. Development expenditures are recognised in the statement of financial position at cost less accumulated amortisation and any impairment losses. Customer-financed research and development is recognised in cost of goods sold rather than capitalised.

Other intangible fixed assets

Other intangible fixed assets, which include acquired assets such as trademarks and customer relations, are recognised at cost less accumulated amortisation and any impairment losses.

Amortisation

Amortisation is recognised in profit or loss over the intangible fixed assets' estimated periods of use, provided such periods can be determined. Intangible fixed assets, excluding goodwill and other intangible fixed assets with indeterminate periods of use, are amortised from the day they are available for use. Estimated periods of use and amortisation methods are as follows:

- Patents, trademarks, customer relations and other technical rights: 5–10 years on a straight line basis.
- Capitalised development costs: Self-financed capitalised development costs are amortised on a straight line basis or based on estimated production volume, but over a maximum period of 10 years. Production volume is set using future sales projections according to a business plan based on identified business opportunities. Acquired development costs are amortised on a straight line basis over a maximum of 10 years.
- Goodwill: In the Parent Company, goodwill is amortised over a maximum 20 years. Goodwill is not amortised in the Group.

Periods of use are tested annually and unfinished development work is tested for impairment at least once a year regardless of any indications of diminished value.

Impairment of goodwill and other intangible assets

The carrying amount of intangible fixed assets is tested on each closing day for any indication of impairment. If an indication exists, the asset's recoverable amount is calculated.

For goodwill and other intangible fixed assets with an indeterminate period of use and intangible fixed assets not yet ready for use, recoverable values are calculated annually in the fourth quarter.

The recoverable amount of an asset is the higher of its fair value less selling expenses and value in use. Value in use is measured by discounting future cash flows using a discounting factor that takes into account the risk-free rate of interest plus supplemental interest corresponding to the risk associated with the specific asset.

If essentially independent cash flows cannot be isolated for individual assets, the assets are grouped at the lowest levels where essentially independent cash flows can be identified (cash-generating units). An impairment loss is recognised when the carrying amount of an asset or cash-generating unit exceeds its recoverable value. Impairment losses are charged against the income statement.

Impairment losses attributable to a cash-generating unit (pool of units) are mainly allocated to goodwill, after which they are divided proportionately among other assets in the unit (the pool of units).

Impairment of goodwill is not reversed. Impairment losses from other assets are reversed if a change has occurred in the assumptions that served as the basis for determining recoverable value. Impairment is reversed only to the extent the carrying amount of the assets following the reversal does not exceed the carrying amount that the asset would have had if the impairment had not been recognised, taking into account the depreciation or amortisation that would have been recognised.

MSEK	Group		Parent Company	
	31-12-2017	31-12-2016	31-12-2017	31-12-2016
Goodwill	5,177	5,196	333	373
Capitalised development costs	2,360	1,652	-	56
Other intangible assets	325	246	209	116
Total	7,862	7,094	542	545

Goodwill

MSEK	Group		Parent Company	
	2017	2016	2017	2016
Acquisition value				
Opening balance, 1 January	5,893	5,742	784	784
Business combinations	75	35	-	-
Translation differences	-94	116	-	-
Closing balance, 31 December	5,874	5,893	784	784
Amortisation and write-downs				
Opening balance, 1 January	-697	-697	-411	-371
Amortisation for the year	-	-	-40	-40
Closing balance, 31 December	-697	-697	-451	-411
Carrying amount, 31 December	5,177	5,196	333	373

Acquisitions through business combinations 2017 relates to Applied Composites AB, Muskövarvet AB and N. Sundin Dockstavarvet AB. Acquisitions through business combinations 2016 relates to Phaeros Group BVBA, Nordic Defence Industries A/S, and Watchcom Security Group AS.

Note 17, cont.

Capitalised development costs

MSEK	Group		Parent Company	
	2017	2016	2017	2016
Acquisition value				
Opening balance, 1 January	7,202	6,366	2,010	2,010
Business combinations	-	16	-	-
Internally developed assets	871	784	-	-
Disposals and reclassifications	-140	-	-10	-
Translation differences	-17	36	-	-
Closing balance, 31 December	7,916	7,202	2,000	2,010
Amortisation and write-downs				
Opening balance, 1 January	-5,550	-5,209	-1,954	-1,754
Amortisation for the year	-160	-311	-56	-200
Disposals and reclassifications	140	-	10	-
Translation differences	14	-30	-	-
Closing balance, 31 December	-5,556	-5,550	-2,000	-1,954
Carrying amount, 31 December	2,360	1,652	-	56

Acquisitions through business combinations 2016 relates to Phaeros Group BVBA and Nordic Defence Industries A/S.

Other intangible assets

MSEK	Group		Parent Company	
	2017	2016	2017	2016
Acquisition value				
Opening balance, 1 January	1,975	1,915	1,408	1,364
Business combinations	19	14	-	-
Investments	193	98	170	78
Disposals and reclassifications	-53	-77	-16	-34
Translation differences	-17	25	-	-
Closing balance, 31 December	2,117	1,975	1,562	1,408
Amortisation and write-downs				
Opening balance, 1 January	-1,729	-1,641	-1,292	-1,230
Amortisation for the year	-124	-142	-75	-96
Disposals and reclassifications	47	70	14	34
Translation differences	14	-16	-	-
Closing balance, 31 December	-1,792	-1,729	-1,353	-1,292
Carrying amount, 31 December	325	246	209	116

Acquisitions through business combinations 2017 relates to Muskövarvet AB and N. Sundin Dockstavarvet AB. Acquisitions through business combinations 2016 relates to Phaeros Group BVBA and Watchcom Security Group AS.

Amortisation is included in the following lines in the income statement

MSEK	Group		Parent Company	
	2017	2016	2017	2016
Cost of goods sold	123	141	115	136
Marketing expenses	1	1	-	-
Research and development costs	160	311	56	200

Development costs

Significant items in total capitalisation are development costs for radar and sensors, electronic warfare systems, Air Traffic Management (ATM), and airborne surveillance systems.

Development costs are capitalised only in the consolidated accounts. In legal units, all costs for development work are expensed. Capitalised development costs in the Parent Company relate to acquired development costs.

Other intangible fixed assets

Significant items in the carrying amount are attributable to the acquisitions of Sensis, MEDAV and N. Sundin Dockstavarvet and relate to expenses incurred for customer relations, trademarks, patents and values in the order backlog. Of the carrying amount, MSEK 325, MSEK 81 is attributable to acquired values and MSEK 244 to licenses for operating systems etc.

Impairment tests for goodwill

In connection with business combinations, goodwill is allocated to the cash-generating units, or groups thereof, that are expected to obtain future economic benefits in the form of, for example, synergies from the acquisition. Acquired operations normally have access to knowledge, technology and solutions that will benefit large parts of the Group, and the acquired operations are usually integrated with other operations shortly after acquisition. Consequently, goodwill is allocated to and tested for impairment at the business area level, which also corresponds to the lowest level at which goodwill is monitored in internal governance. For the business area Industrial Products and Services, goodwill refers in its entirety to the business unit and independent consulting company Combitech, so impairment testing is done directly at business unit level.

Goodwill in the Parent Company relates to goodwill arising from the purchase of the net assets of Saab Microwave Systems.

Goodwill is distributed by business area as follows:

MSEK	31-12-2017	31-12-2016
Dynamics	671	644
Surveillance	3,583	3,674
Support and Services	330	336
Industrial Products and Services	330	324
Kockums	263	218
Total goodwill	5,177	5,196

Impairment testing for cash-generating units is based on the calculation of value in use. This value is based on discounted cash flow forecasts according to the units' business plans. Saab's assessment is that this does not cause any impairment.

VARIABLES USED TO CALCULATE VALUE IN USE**Volume/growth**

Growth in the cash-generating units' business plans is based on Saab's expectations with regard to development in each market area and previous experience. It is also based on estimates of cash flows that are distributed over what are often long projects and are dependent on the timing and size of advances and milestone payments. The first five years are based on the five-year business plan formulated by Group Management and approved by the Board. For cash flows after five years, the annual growth rate has been assumed to be 0 (0) per cent.

Operating margin

The operating margin is based on the units' operating income after depreciation and amortisation. Each unit's operating margin is calculated against the backdrop of historical results and Saab's expectations with regard to the future development of markets where the units are active. All business areas have a substantial order backlog of projects that stretch over a number of years. The risks and opportunities affecting the operating margin are managed through continuous cost forecasts for all significant projects. The operating margin is based on current projections of final costs.

Capitalised development costs

In the five-year business plans, consideration is given to additional investments in development considered necessary for certain units to reach the growth targets in their respective markets.

Discount rate

Discount rates are based on the weighted average cost of capital (WACC). The WACC rate that is used is based on a risk-free rate of interest in ten years adjusted for, among other things, market risks. The discount rate is in line with the external requirements placed on Saab and similar companies in the market.

Note 17, cont.

All units have sales of defence materiel, unique systems, products and support solutions in the international market as their primary activity, and their business risk in this respect is considered equivalent.

Recent years' order bookings have increased the share of projects across business areas and changed the composition of the order backlog for certain units, which complicates a differentiation of discount rates between business areas. As a result, Saab has decided to apply a uniform discount rate in the impairment tests. The discount rate (WACC) used in 2017 was 10 per cent (10) pre-tax.

Sensitivity analysis

Group Management believes that reasonable possible changes in the above variables would not have such a large impact that any individually would reduce the recoverable amount to less than the carrying amount.

NOTE 18 TANGIBLE FIXED ASSETS

ACCOUNTING PRINCIPLES

Tangible fixed assets are recognised as an asset in the statement of financial position if it is likely that the future economic benefits will accrue to the Group and the cost of the asset can be reliably estimated.

Tangible fixed assets are recognised at cost after deducting accumulated depreciation and any write-down. Cost includes the purchase price and costs directly attributable to putting the asset into place and condition to be utilised in accordance with the purpose of the purchase. Examples of directly attributable expenditures included in cost are delivery and handling, installation, title and consulting services.

The cost of fixed assets produced by Saab includes expenditures for material, expenditures for employee benefits and, where applicable, other production costs considered directly attributable to the fixed asset. The cost of tangible fixed assets includes estimated costs for disassembly and removal of the assets as well as restoration of the location or area where these assets are found.

The carrying amount of a tangible fixed asset is excluded from the statement of financial position when the asset is sold or disposed of or when no future economic benefits are expected from its use. The gain or loss that arises on the sale or disposal is comprised of the difference between the sales price and the asset's carrying amount less direct selling expenses. Such gains and losses are recognised as other operating income/expenses.

Incremental expenditures

Incremental expenditures are added to cost only if it is likely that the future economic benefits tied to the incremental expenditures will accrue to the Group and the expenditures can be reliably estimated. All other incremental expenditures are recognised as costs in the period they arise.

The determining factor whether an incremental expenditure is added to cost is whether it relates to the replacement of identifiable components, or parts thereof. If so, the cost is capitalised. Even in cases where a new component is created, the expenditure is added to cost. Any undepreciated carrying amount of replaced components, or parts of components, is disposed of and expensed in connection with the replacement. Repairs are expensed as incurred.

Depreciation

Depreciation is booked on a straight-line basis based on the asset's cost less estimated residual value at the end of the period of use, over the asset's estimated period of use. Land is not depreciated. Component depreciation is applied, which means that fixed assets consisting of various components or where significant parts have different periods of use are depreciated as separate assets based on their periods of use.

Estimated periods of use:

- Operating properties/buildings: 20–90 years.
- Plant and machinery: 5–10 years.
- Equipment, tools, installations and computers: 3–10 years.
- Aircraft: 17–25 years.

Each asset's residual value and period of use are estimated annually.

Impairment of tangible assets

The carrying amount of fixed assets, with the exception of assets stated at fair value, is tested on each closing day for any indication of impairment. If an indication exists, the asset's recoverable amount is calculated.

The recoverable amount of an asset is the higher of its fair value less selling expenses and value in use. Value in use is measured by discounting future cash flows using a discounting factor that takes into account the risk-free rate of interest plus supplemental interest corresponding to the risk associated with the specific asset. If essentially independent cash flows cannot be isolated for individual assets, the assets are grouped at the lowest levels where essentially independent cash flows can be identified (cash-generating units). An impairment loss is recognised when the carrying amount of an asset or cash-generating unit exceeds its recoverable value. Impairment losses are charged against the income statement.

Impairment losses are reversed if a change has occurred in the assumptions that served as the basis for determining recoverable value. Impairment is reversed only to the extent the carrying amount of the assets following the reversal does not exceed the carrying amount that the asset would have had if the impairment had not been recognised, taking into account the depreciation or amortisation that would have been recognised.

MSEK	Group		Parent Company	
	31-12-2017	31-12-2016	31-12-2017	31-12-2016
Operating properties/buildings and land ¹⁾	2,019	2,044	1,456	1,467
Plant and machinery	1,595	1,470	818	695
Equipment, tools and installations	805	674	474	396
Construction in progress	852	623	480	475
Total	5,271	4,811	3,228	3,033

¹⁾ In the Group, the reported amount refers to operating properties. In the Parent Company, the reported amount refers to buildings and land.

Operating properties/buildings and land¹⁾

MSEK	Group		Parent Company	
	2017	2016	2017	2016
Acquisition value				
Opening balance, 1 January	4,918	4,898	2,088	2,123
Business combinations	55	-	-	-
Investments	66	112	41	74
Reclassifications	-	-	11	18
Divestments	-5	-136	-	-110
Divestments to companies within the Group	-	-	-	-17
Translation differences	-17	44	-	-
Closing balance, 31 December	5,017	4,918	2,140	2,088
Depreciation and write-downs				
Opening balance, 1 January	-2,874	-2,872	-1,518	-1,567
Depreciation for the year	-92	-92	-57	-58
Business combinations	-35	-	-	-
Divestments and Reclassifications	2	100	-6	95
Divestments to companies within the Group	-	-	-	12
Translation differences	1	-10	-	-
Closing balance, 31 December	-2,998	-2,874	-1,581	-1,518
Revaluations				
Opening balance, 1 January	-	-	897	897
Closing balance, 31 December	-	-	897	897
Carrying amount, 31 December	2,019	2,044	1,456	1,467

¹⁾ In the Group, the reported amount refers to operating properties. In the Parent Company, the reported amount refers to buildings and land.

Acquisitions through business combinations 2017 relates to Applied Composites AB, Muskövarvet AB and N. Sundin Dockstavarvet AB.

Note 18, cont.

Operating properties include a property leased by Saab Sensis in the US through a financial lease. The financial lease extends through 2025. The carrying amount is MSEK 75. The property is depreciated on a straight-line basis over its period of use through 2025.

Total future minimum lease fees amount to MSEK 96, of which MSEK 12 is due within one year, MSEK 47 after one year but within five years, and MSEK 37 after five years. The present value of future minimum lease fees is MSEK 84.

Plant and machinery

MSEK	Group		Parent Company	
	2017	2016	2017	2016
Acquisition value				
Opening balance, 1 January	4,835	4,637	2,686	2,573
Business combinations	66	-	-	-
Investments	403	326	295	244
Reclassifications	-2	-3	-11	-24
Divestments	-132	-212	-104	-107
Translation differences	-67	87	-	-
Closing balance, 31 December	5,103	4,835	2,866	2,686
Depreciation and write-downs				
Opening balance, 1 January	-3,365	-3,278	-1,991	-1,974
Depreciation for the year	-240	-223	-134	-121
Business combinations	-61	-	-	-
Reclassifications	1	-4	-	-
Divestments	97	209	77	104
Translation differences	60	-69	-	-
Closing balance, 31 December	-3,508	-3,365	-2,048	-1,991
Carrying amount, 31 December	1,595	1,470	818	695

Acquisitions through business combinations 2017 relates to Applied Composites AB and N. Sundin Dockstavarvet AB.

Plant and machinery includes an aircraft that is leased through a finance lease. The finance lease extends through 2020. The carrying amount is MSEK 397. The aircraft is depreciated on a straight-line basis over its period of use. Total future minimum lease payments amount to MSEK 399, of which MSEK 37 is due within one year and MSEK 362 is due later than one year but within five years. The present value of the future minimum lease fees amounts to MSEK 377.

Equipment, tools and installations

MSEK	Group		Parent Company	
	2017	2016	2017	2016
Acquisition value				
Opening balance, 1 January	2,158	2,112	1,313	1,283
Business combinations	57	2	-	-
Investments	336	292	208	167
Reclassifications	-2	6	-	2
Divestments	-93	-280	-52	-139
Translation differences	-14	26	-	-
Closing balance, 31 December	2,442	2,158	1,469	1,313
Depreciation and write-downs				
Opening balance, 1 January	-1,484	-1,566	-917	-941
Depreciation for the year	-223	-178	-129	-116
Business combinations	-27	-	-	-
Divestments	90	272	51	138
Reclassifications	-	2	-	2
Translation differences	7	-14	-	-
Closing balance, 31 December	-1,637	-1,484	-995	-917
Carrying amount, 31 December	805	674	474	396

Acquisitions through business combinations 2017 relates to Applied Composites AB, Muskövarvet AB and N. Sundin Dockstavarvet AB. Acquisitions through business combinations 2016 relates to Phaeros Group BVBA, Nordic Defence Industries A/S, and Watchcom Security Group AS.

Construction in progress

MSEK	Group		Parent Company	
	2017	2016	2017	2016
Acquisition value				
Opening balance, 1 January	623	541	475	488
Investments	228	77	5	-13
Translation differences	1	5	-	-
Carrying amount, 31 December	852	623	480	475

Investments in construction in progress refer to a net of new investments and reclassifications to other asset classes.

Collateral

On 31 December 2017 property with a carrying amount of MSEK 0 (0) was pledged as collateral for bank loans.

NOTE 19 BIOLOGICAL ASSETS

ACCOUNTING PRINCIPLES

Biological assets in the form of forests are carried at fair value after deduction of estimated selling expenses. Fair value is based on the valuation of an independent appraiser.

MSEK	Group	
	2017	2016
Living forest		
Carrying amount, 1 January	291	290
Investments	61	-
Change in fair value	13	10
Less fair value logging	-13	-9
Carrying amount, 31 December	352	291
Of which fixed assets	352	291

On 31 December 2017, biological assets consisted of approximately 388,000 m³ of spruce, 720,000 m³ of pine and 90,000 m³ of hardwood. In May 2017, 110,000 m³ of forest was acquired for MSEK 61. Forest growth is estimated at 45,000 m³ per year. During the year, approximately 34,700 m³ of timber was felled, which had a fair value in the Group, after deduction of selling expenses, of MSEK 13 on the felling date.

The valuation of forests has been done with the help of independent appraisers. The forestry property has been valued according to the market comparison method. In the valuation according to the market comparison method, the environmental impact from a firing range within the property has not been taken into account. An adjustment for the environmental impact has therefore been made by reducing fair value by an amount corresponding to the market value of the size of the firing range (4,457 hectares) less the value of the timber.

NOTE 20 INVESTMENT PROPERTIES

ACCOUNTING PRINCIPLES GROUP

Investment properties are properties held to earn rental income, for capital appreciation or a combination of both. Investment properties are carried in the statement of financial position at fair value. Fair value has been determined by calculating net rental income, which then serves as the basis of a valuation of fair value.

Information on fair value of investment properties in the Group

MSEK	Group	
	2017	2016
Carrying amount, 1 January	33	34
Revaluation	7	-1
Carrying amount, 31 December	40	33

Investment properties comprise one rental property leased to an outside tenant.

Fair values have been determined by analysing rental income and expenses for each property, thereby producing a net rental income figure. Net rental income has then served as the basis for a valuation of fair value with a yield of 8 per cent. The yield requirements correspond to the risk in net rental income. Fair value is not based on the valuation of an independent appraiser.

MSEK	Group	
	2017	2016
Effect on net income/net rental income		
Rental income	4	4
Direct costs for investment properties that generated rental income during the year	-2	-2
Effect on net income/net rental income	2	2

NOTE 21 SHARES IN ASSOCIATED COMPANIES AND JOINT VENTURES

ACCOUNTING PRINCIPLES

Associated companies are companies over which the Group has a significant, but not decisive, influence over operating and financial controls, usually through a shareholding of between 20 and 50 per cent of the votes. Joint ventures are companies in which the Group, through a cooperative agreement with one or more parties, shares a decisive influence over operating and financial controls. As of the date that significant influence in an associated company and shared decisive influence in a joint venture arises, the shares in the associated company or joint venture are recognised according to the equity method in the consolidated accounts. The equity method is applied until the date when significant or shared decisive influence ceases.

The equity method means that the carrying amount of the shares in associated companies and joint ventures corresponds to the Group's share of the associated companies' and joint ventures' equity based on an application of the Group's accounting principles as well as Group goodwill and any remaining Group surplus or deficit values. "Share in income of associated companies and joint ventures" in the income statement comprises the Group's share of the net income after tax and the non-controlling interests in associated companies and joint ventures adjusted for any amortisation/depreciation, write-downs or dissolution of acquired surplus and deficit values determined in the same way as for business combinations. Dividends received from associated companies and joint ventures reduce the carrying amount of the investment.

If the Group's share of the accumulated deficit in an associated company or joint venture exceeds the carrying amount of the shares in the Group, the value of the shares is reduced to zero. Losses are also offset against long-term uncollateralised financial balances that in their economic significance represent part of the owner-company's net investment in the associated company or joint venture. Subsequent losses are not recognised as a liability in the consolidated accounts as long as the Group has not issued any guarantees to cover losses arising in the associated company or joint venture.

When significant influence over the associated company or shared decisive influence over the joint venture ceases but the Group retains an interest in the company, the remaining shares are initially recognised at fair value. The gain or loss that arises is recognised in profit or loss.

Associated companies and joint ventures MSEK	Group	
	2017	2016
Carrying amount, 1 January	788	602
Acquisition of associated companies and joint ventures	3	97
Share in income of associated companies and joint ventures ¹⁾	-39	-38
New share issues/infusion of capital	12	102
Repayment of contributed capital	-20	-
Adjustment against receivable	9	-
Translation differences and internal gains	-27	41
Dividends	-26	-16
Carrying amount, 31 December	700	788

¹⁾ Share in associated companies' and joint ventures' net income and non-controlling interests.

The Group's associated companies and joint ventures are held for operating purposes, i.e., they are related to operations of the business areas or in the venture portfolio and are therefore recognised in operating income.

In 2017, Saab acquired Hyker Security AB, an associated company.

Aggregate net income for Saab's associated companies amounted to MSEK -130 (-65) and other comprehensive income/loss to MSEK -62 (65), producing net comprehensive income/loss of MSEK -192 (0). For Saab's joint ventures, net income amounted to MSEK 13 (-16) and other comprehensive income/loss to MSEK -17 (31), producing net comprehensive income/loss of MSEK -4 (15). Saab's share in income of associated companies and joint ventures amounts to MSEK -39 (-38). Shares in associated companies and joint ventures as of 31 December 2017 include goodwill of MSEK 141 (131).

The Group's share of sales, income, assets, liabilities, equity, and the carrying amount of shares in associated companies and joint ventures is as follows.

Note 21, cont.

2017, MSEK	Country	Sales	Income	Assets	Liabilities	Equity	Ownership interest, % ¹⁾	Share in income of associated companies and joint ventures	Carrying amount, shares in associated companies and joint ventures
Associated companies									
Akaer Participações S.A.	Brazil	115	-23	530	197	333	25.0	-6	83
AVIA SATCOM Co., Ltd	Thailand	89	-	447	70	377	36.6	-	138
FFV Services Private Limited	India	93	41	134	2	132	49.0	20	65
S.N. Technologies SA	Switzerland	48	3	53	4	49	50.0	2	25
Taurus Systems GmbH	Germany	2,204	15	1,810	1,771	39	33.0	5	13
UMS Skeldar AG	Switzerland	11	-92	314	112	202	47.0	-43	95
Wah Nobel (Pvt) Ltd	Pakistan	146	24	263	34	229	27.2	7	62
Other associated companies, mainly in the ventures portfolio		523	-98	651	457	194		-30	67
Total associated companies		3,229	-130	4,202	2,647	1,555		-45	548
Joint ventures									
Fortis Marine Solutions Pte Ltd	Singapore	-	-	73	25	48	49.0	-	24
Gripen International KB	Sweden	-	13	5	-	5	50.0	6	2
Järfälla-Veddesta Holdings AB	Sweden	-	-	705	705	-	35.0	-	-
Saab Grintek Technologies Ltd	South Africa	350	-	160	87	73	70.0	-	51
Vricon Inc.	USA	119	-	263	114	149	50.0	-	75
Total joint ventures		469	13	1,206	931	275		6	152
Total		3,698	-117	5,408	3,578	1,830		-39	700

2016, MSEK	Country	Sales	Income	Assets	Liabilities	Equity	Ownership interest, % ¹⁾	Share in income of associated companies and joint ventures	Carrying amount, shares in associated companies and joint ventures
Associated companies									
Akaer Participações S.A.	Brazil	-	-	561	162	399	25.0	-	100
AVIA SATCOM Co., Ltd	Thailand	187	-	427	48	379	36.6	-	139
FFV Services Private Limited	India	55	19	109	18	91	49.0	9	44
S.N. Technologies SA	Switzerland	77	18	41	-6	47	50.0	9	23
Taurus Systems GmbH	Germany	510	-3	2,070	2,046	24	33.0	-1	8
UMS Skeldar AG	Switzerland	13	-80	352	45	307	47.0	-37	144
Wah Nobel (Pvt) Ltd	Pakistan	131	50	268	54	214	27.2	14	58
Other associated companies, mainly in the ventures portfolio		407	-69	623	379	244		-24	73
Total associated companies		1,380	-65	4,451	2,746	1,705		-30	589
Joint ventures									
Fortis Marine Solutions Pte Ltd	Singapore	1	-2	74	26	48	49.0	-1	25
Gripen International KB	Sweden	-	22	430	350	80	50.0	11	40
Järfälla-Veddesta Holdings AB	Sweden	-	-	715	715	-	35.0	-	-
Saab Grintek Technologies Ltd	South Africa	357	-	181	108	73	70.0	-	51
Vricon Inc.	USA	51	-36	273	107	166	50.0	-18	83
Total joint ventures		409	-16	1,673	1,306	367		-8	199
Total		1,789	-81	6,124	4,052	2,072		-38	788

¹⁾ The ownership interest of each holding represents both ownership and voting rights.

NOTE 22 PARENT COMPANY'S SHARES IN ASSOCIATED COMPANIES AND JOINT VENTURES

MSEK	Parent Company	
	2017	2016
Accumulated acquisition value		
Opening balance, 1 January	398	199
Acquisitions	9	188
Dividends	-44	-
Shares from net income for the year in joint ventures	6	11
Closing balance, 31 December	369	398
Carrying amount, 31 December	369	398

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

2017 MSEK	% of votes and capital	Carrying amount
Associated companies		
Akaer Participações S.A., Brazil	25.0	97
Kedtech Holding AB, 556945-3748, Stockholm	23.0	23
Industrikompetens i Östergötland AB, 556060-5478, Linköping	33.0	2
AVIA SATCOM Co Ltd, Thailand	36.6	78
Aerostructures Assemblies India Pvt Ltd	50.0/26.0	6
UMS Skeldar AG, CHE-113.226.140, Switzerland	47.0	56
Combient AB, 556985-1560, Järfälla	24.9	22
Joint ventures		
Vricon Inc., USA	50.0	83
Gripen International KB, 969679-8231, Linköping	50.0	2
Industrigruppen JAS AB, 556147-5921, Stockholm	80.0	-
Järfälla-Veddesta Holdings AB, 559025-4024, Linköping	35.0	-
Total		369

2016 MSEK	% of votes and capital	Carrying amount
Associated companies		
Akaer Participações S.A., Brazil	25.0	97
Kedtech Holding AB, 556945-3748, Stockholm	23.0	23
Industrikompetens i Östergötland AB, 556060-5478, Linköping	33.0	2
AVIA SATCOM Co Ltd, Thailand	36.6	78
Aerostructures Assemblies India Pvt Ltd	50.0/26.0	4
UMS Skeldar AG, CHE-113.226.140, Switzerland	47.0	56
Combient AB, 556985-1560, Järfälla	25.7	15
Joint ventures		
Vricon Inc., USA	50.0	83
Gripen International KB, 969679-8231, Linköping	50.0	40
Industrigruppen JAS AB, 556147-5921, Stockholm	80.0	-
Järfälla-Veddesta Holdings AB, 559025-4024, Linköping	35.0	-
Total		398

NOTE 23 RECEIVABLES FROM GROUP COMPANIES

Parent Company MSEK	Long-term receivables from Group companies		Long-term receivables from associated companies and joint ventures	
	2017	2016	2017	2016
Accumulated acquisition value				
Opening balance, 1 January	50	19	311	288
Settled receivables	-	-19	-	-
Additional receivables	31	49	67	16
Translation differences	-	1	-8	7
Closing balance, 31 December	81	50	370	311

NOTE 24 FINANCIAL INVESTMENTS

MSEK	Group	
	31-12-2017	31-12-2016
Financial investments held as fixed assets		
Financial assets measured at fair value through profit or loss:		
Shares and participations	26	25
Investments held to maturity:		
Interest-bearing securities	-	140
Total	26	165
Short-term investments held as current assets		
Financial assets measured at fair value through profit or loss:		
Interest-bearing securities	4,469	4,542
Total	4,469	4,542

The fair value of interest-bearing securities held to maturity amounted to MSEK 0 (140). Investments in interest-bearing securities consist of fixed rate bonds, FRN (Floating Rate Notes, bonds with floating interest rate) and Certificate of Deposit.

NOTE 25 OTHER LONG-TERM SECURITIES HOLDINGS

MSEK	Parent Company	
	2017	2016
Accumulated acquisition value		
Opening balance, 1 January	40	62
Divestments	-	-1
Reclassification	-	-21
Closing balance, 31 December	40	40
Accumulated write-downs		
Opening balance, 1 January	-17	-17
Closing balance, 31 December	-17	-17
Carrying amount, 31 December	23	23

Divestment in 2016 relates to repayment of earlier invested capital in Biogeneration Ventures B.V. Reclassification in 2016 relates to Akaer Engenharia S.A. to associated company.

NOTE 26 LONG-TERM RECEIVABLES AND OTHER RECEIVABLES

MSEK	Group	
	31-12-2017	31-12-2016
Long-term receivables held as fixed assets		
Receivables from associated companies, interest-bearing	172	104
Receivables from joint ventures, interest-bearing	282	284
Receivables attributable to pensions, interest-bearing	40	51
Other interest-bearing receivables	-	3
Other non interest-bearing receivables	168	63
Total	662	505

MSEK	Group	
	31-12-2017	31-12-2016
Other receivables held as current assets		
Receivables from associated companies, interest-bearing	14	19
Receivables from associated companies, non interest-bearing	21	33
Receivables from joint ventures, interest-bearing	-	10
Receivables from joint ventures, non interest-bearing	-	10
Advance payments to suppliers	44	37
Other non interest-bearing receivables	443	490
Total	522	599

MSEK	Group	
	31-12-2017	31-12-2016
Receivables from customers		
Assignment revenue	12,654	10,538
Less utilised advance payments	-4,737	-4,316
Total	7,917	6,222

Assignment revenue refers to assignment costs incurred and reported gross income less any losses attributable to the work performed. Amounts due to customers amounted to MSEK 9,094 (7,884).

Costs attributable to assignment revenue amounted to MSEK 10,718 (8,905). Reported gross income amounted to MSEK 1,936 (1,633).

MSEK	Parent Company	
	31-12-2017	31-12-2016
Other long-term receivables		
Non interest-bearing receivables	19	4
Interest-bearing receivables	-	3
Total	19	7

MSEK	Parent Company	
	31-12-2017	31-12-2016
Other receivables held as current assets		
Non interest-bearing receivables	398	427
Total	398	427

MSEK	Parent Company	
	31-12-2017	31-12-2016
Receivables from customers		
Assignment revenue	10,982	8,711
Less utilised advance payments	-4,195	-3,981
Total	6,787	4,730

Assignment revenue refers to assignment costs incurred and reported gross income less any losses attributable to the work performed. Amounts due to customers amounted to MSEK 6,495 (5,431).

Costs attributable to assignment revenue amounted to MSEK 9,238 (7,382). Reported gross income amounted to MSEK 1,744 (1,329).

MSEK	Parent Company	
	2017	2016
Long-term receivables		
Accumulated acquisition value		
Opening balance, 1 January	7	15
Additional receivables	15	3
Settled receivables	-3	-11
Closing balance, 31 December	19	7

NOTE 27 INVENTORIES

ACCOUNTING PRINCIPLES

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in continuing operations after deducting estimated expenses for completion and expenses incurred in selling.

Cost is calculated by applying the first-in first-out method (FIFO) or the weighted average method and includes expenses to acquire inventory assets and bring them to their present location and condition. For finished and semifinished goods, cost consists of direct manufacturing expenses and a reasonable share of indirect manufacturing expenses as well as expenses to customise products for individual customers. Calculations take into account normal capacity utilisation.

MSEK	Group	
	31-12-2017	31-12-2016
Raw materials and consumables	3,249	2,436
Work in progress	3,302	3,174
Finished goods and goods for resale	1,192	1,050
Total	7,743	6,660

Saab and the Swedish Ministry of Enterprise, Energy and Communications have reached an agreement with the National Debt Office to co-finance Saab's participation in the Airbus A380 project. The co-financing is in the form of a royalty loan maximised at MSEK 350. Repayment will take the form of a royalty on each delivery to Airbus. Through 2017, the National Debt Office has paid out MSEK 263 (263). The debt as of 31 December 2017 amounted to MSEK 132 (137), which reduced inventory in the financial statements.

The Group's cost of goods sold includes inventory write-downs of MSEK 82 (44). The reversal of previous write-downs amounted to MSEK 38 (59).

MSEK	Parent Company	
	31-12-2017	31-12-2016
Raw materials and consumables	1,987	1,689
Work in progress	2,434	2,449
Finished goods and goods for resale	949	777
Advance payments to suppliers	72	65
Total	5,442	4,980

Cost of goods sold for the Parent Company includes inventory write-downs of MSEK 82 (38) after the reversal of previous write-downs of MSEK 34 (51).

NOTE 28 ACCOUNTS RECEIVABLE**ACCOUNTING PRINCIPLES**

Accounts receivable are recognised initially at fair value and subsequently at amortised cost at the amount expected to be received based on an individual valuation. Accounts receivable have a short expected maturity, due to which they are normally recognised at their nominal amount without discounting. Write-downs on accounts receivable are recognised in operating expenses. Saab has trade receivable sales programme with an independent party. When a receivable is sold, the entire credit risk is transferred to the counterparty, because of which the accounts receivable are reduced by the proceeds received.

The Group's outstanding accounts receivable amounted to MSEK 4,342 (5,402) as of 31 December 2017. Saab has an established programme to sell trade receivables to strengthen its financial position and increase financial flexibility. The programme has not been utilised since 31 December 2016. Saab's aim is to utilise this programme in situations where greater financial flexibility is needed. Defence-related sales accounted for 84 per cent (83) of total sales, where the counterparties in most accounts receivable are nations with high creditworthiness. The Group's receivables are mainly within the EU, which accounted for 54 per cent (47) of the total. Where counterparties' creditworthiness is deemed unsatisfactory, bank or insurance guarantees or guarantees from EKN are secured.

Write-downs of accounts receivable amounted to MSEK 27 (14) as of 31 December 2017, corresponding to 0.6 per cent (0.3) of total accounts receivable.

Accounts receivable in the Parent Company amounted to MSEK 1,907 (3,184). During the year, receivables were written down by MSEK 7 (5). Reversals of previous write-downs amounted to MSEK 0 (4).

Write-downs of accounts receivable

MSEK	Group	
	2017	2016
Write-downs, 1 January	-14	-12
Write-downs for calculated losses	-14	-7
Reversal of previous write-downs	1	4
Actual credit losses	-	2
Translation differences	-	-1
Write-downs, 31 December	-27	-14

Age analysis of the Group's overdue receivables

MSEK	Group	
	31-12-2017	31-12-2016
<30 days	366	312
30 to 90 days	198	298
91 to 180 days	110	116
>181 days	407	415
Accounts receivable overdue	1,081	1,141
Accounts receivable not overdue	3,261	4,261
Total accounts receivable	4,342	5,402

NOTE 29 PREPAID EXPENSES AND ACCRUED INCOME

MSEK	Group		Parent Company	
	31-12-2017	31-12-2016	31-12-2017	31-12-2016
Prepaid expenses	585	481	468	353
Capitalised changes in value related to forward contract rollovers	-	-	543	505
Accrued service income	293	163	-	1
Other accrued income	315	391	147	250
Total	1,193	1,035	1,158	1,109

Prepaid expenses primarily relate to pension premiums, rents, licenses and insurance.

NOTE 30 LIQUID ASSETS**ACCOUNTING PRINCIPLES**

Liquid assets consist of cash and cash equivalents, immediately accessible balances with banks and similar institutions, and short-term liquid investments with a maturity from acquisition date of less than three months, which are exposed to no more than an insignificant risk of fluctuation in value.

MSEK	Group	
	31-12-2017	31-12-2016
Cash and bank balances	1,463	1,102
Bank deposits	739	300
Total according to statement of financial position	2,202	1,402
Total according to statement of cash flows	2,202	1,402

Bank deposits relate to short-term investments, with a maturity of less than three months. The Group's unutilised account overdraft facility amounted to MSEK 42 (50) at year-end. With regard to the Group's other loan facilities, refer to notes 33 and 38.

NOTE 31 SHAREHOLDERS' EQUITY

The shares in the Parent Company are divided into two series, A and B. Both classes of shares carry equal rights, with the exception that each Series A share is entitled to ten votes and each Series B share one vote. The shares have a quota value of SEK 16.

Outstanding shares at 31 December 2017	Number of shares	Number of shares, %	Number of votes, %
Series A shares	1,907,123	1.8	15.4
Series B shares	104,916,659	98.2	84.6
Total	106,823,782	100.0	100.0

Outstanding shares at 31 December 2016	Number of shares	Number of shares, %	Number of votes, %
Series A shares	1,907,123	1.8	15.4
Series B shares	104,498,400	98.2	84.6
Total	106,405,523	100.0	100.0

Change in number of outstanding shares 2017	Series A	Series B	Total
Number of outstanding shares at 1 January	1,907,123	104,498,400	106,405,523
Early share matching	-	22,747	22,747
Ordinary share matching	-	395,512	395,512
Number of outstanding shares at 31 December	1,907,123	104,916,659	106,823,782

In 2017, no Series B shares were repurchased on the market to secure Saab's Share Matching Plans and Performance Share Plans. During the year, 418,259 shares were matched in Saab's Share Matching Plan. Transferred shares correspond to 0.4 per cent of the share capital. A total of 2,326,562 shares are held in treasury. Shares held in treasury have no voting rights.

The dividend to shareholders amounted to MSEK 588 (559), or SEK 5.50 (5.25) per share.

Proposed disposition of earnings 2017

The Board of Directors and the President propose that the unappropriated earnings in the Parent Company at disposal of the Annual General Meeting, amounting to:

SEK	
Retained earnings	4,233,780,224
Net income for the year	645,290,131
Total	4,879,070,355

be disposed as follows:

To the shareholders, a dividend of SEK 5.50 per share	587,530,801
Funds to be carried forward	4,291,539,554
Total	4,879,070,355

Management of the Group's capital

The Group's capital under management consists of equity. The Group's capital management goal is to facilitate continued operating growth and to remain prepared to capitalise on business opportunities. Saab's equity/asset goal is at least 30 per cent.

Net result of cash flow hedges

The net result of cash flow hedges comprises the effective share of the cumulative net change in fair value of a cash flow hedging instrument attributable to hedge transactions that have not yet taken place.

Translation reserve

The translation reserve comprises exchange rate differences that arise from the translation of financial reports from operations that have prepared their reports in a currency other than the currency of the Group's financial reports. The Parent Company and the Group present their financial reports in SEK. The translation reserve at year-end amounts to 268 (525). Of the translation reserve MSEK 15 (0) has been reclassified to gains.

Revaluation reserve

The revaluation reserve comprises the difference between the fair value and carrying amount of operating properties reclassified as investment properties. Of the revaluation reserve, MSEK 0 (0) has been transferred to retained earnings upon the sale of investment properties in 2017.

PARENT COMPANY**Restricted reserves**

Restricted reserves may not be reduced through profit distributions.

Revaluation reserve

When a tangible or financial fixed asset is revaluated, the revaluation amount is allocated to a revaluation reserve.

Statutory reserve

Provisions to the statutory reserve have previously amounted to at least 10 per cent of net income for the year, until the statutory reserve corresponded to at least 20 per cent of the Parent Company's capital stock. As of 2006 provisions are voluntary and the Parent Company makes no provisions to the statutory reserve.

Unrestricted equity**Retained earnings**

Retained earnings consist of previous year's unrestricted equity after profit distribution and Group contributions paid. Retained earnings together with net income for the year comprise unrestricted equity, i.e., the amount available for distribution to the shareholders.

NOTE 32 INTEREST-BEARING LIABILITIES

MSEK	Group	
	31-12-2017	31-12-2016
Long-term liabilities		
Liabilities to credit institutions	5,798	5,107
Other interest-bearing liabilities	437	517
Total	6,235	5,624
Current liabilities		
Liabilities to credit institutions	-	-
Liabilities to associated companies and joint ventures	45	239
Other interest-bearing liabilities	47	53
Total	92	292
Total interest-bearing liabilities	6,327	5,916

Terms and repayment schedules

Collateral for bank loans amounts to MSEK 0 (0). Of the long-term liabilities, MSEK 5,684 (5,467) falls due between one and five years of the closing day and MSEK 551 (157) later than five years of the closing day.

Liabilities to credit institutions consist of Medium Term Notes (MTN) and Schuldschein loans. For more information on financial risk management, see note 38.

The fair value of MTNs and Schuldschein loans exceeds book value by MSEK 85 (136). Saab otherwise considers that there is no significant difference between book and fair value.

NOTE 33 LIABILITIES TO CREDIT INSTITUTIONS

MSEK	Parent company	
	31-12-2017	31-12-2016
Current liabilities		
Overdraft facilities: Available credit/limit	28	36
Short-term portion of bank loans: Unutilised portion	28	-36
Utilised credit amount	-	-
Credit facilities: Commercial paper	5,000	5,000
Unutilised portion of commercial paper	-5,000	-5,000
Utilised credit amount	-	-
Total	-	-
Long-term liabilities		
Credit facilities: Available credit/limit (revolving credit facility)	6,000	6,000
Unutilised portion of revolving credit facility	-6,000	-6,000
Utilised credit amount	-	-
Credit facility: Medium Term Notes (MTN)	4,812	4,150
Credit facility: Schuldschein (SSD)	985	957
Premium/Discount	1	-
Total	5,798	5,107
Total liabilities to credit institutions	5,798	5,107

Since 2009, Saab has a Medium Term Note programme (MTN) to enable the issuance of long-term loans on the capital market. In 2015, the MTN programme was increased from MSEK 3,000 to MSEK 6,000. Under the terms of this programme, Saab has issued fixed rate bonds as well as Floating Rate Notes (FRN). MTN loans with maturity December 2018 with total outstanding amount of MSEK 1,350, was in September 2017 partly closed out with an amount of MSEK 1,038. At the same time, new loans of MSEK 1,700, maturing in 2022, were issued. As a result, outstanding loans under the MTN programme totalled MSEK 4,812.

In December 2015, Saab signed Schuldschein loan agreements amounting to MEUR 100.

NOTE 34 POST-EMPLOYMENT BENEFITS

The Saab Group's post-employment benefits refer to pensions. These pensions comprise both defined-contribution and defined-benefit plans. A defined-contribution plan is a pension plan according to which the Group pays fixed fees to a separate legal entity that assumes the obligations to employees. Other pension plans are defined-benefit and refer to pension obligations that are retained by the Group, secured through its own pension funds or through insurance.

ACCOUNTING PRINCIPLES GROUP

Defined-contribution plans

Obligations for fees to defined-contribution plans are expensed through the income statement.

Defined-benefit plans

Saab has around ten different types of defined-benefit plans. Defined-benefit plans mainly relate to the Swedish operations, where the ITP2 plan accounts for 92 per cent (91) of the total obligation.

The Group's net obligation for defined-benefit plans is calculated separately for each plan by estimating the future compensation that employees have earned through employment in present and previous periods. This compensation is discounted to present value. Most of the liability is met through provisions to a pension fund. The net obligation on the closing day is estimated as the net of the fair value of the fund assets and the present value of the pension liability.

The discount rate to estimate the obligation at present value is based on the interest rate on the closing day for a first-class mortgage bond with a maturity corresponding to the pension obligation. The calculation is made by qualified actuaries using the Projected Unit Credit Method.

When the compensation terms in a plan are improved, the portion of the increased compensation attributable to the employees' service in previous periods is expensed through the income statement.

If the obligation calculated on the closing day deviates from the estimated obligation, actuarial gains or losses arise and are recognised directly in other comprehensive income. The same interest rate is used to calculate financial income on assets under management as to discount pension liabilities.

If pension obligations are lower than assets under management, this amount is recognised as an asset.

When there is a difference between how the pension cost is determined for a legal entity and for the Group, a liability or receivable is recognised for the special employer's contribution based on this difference.

The following tables provide information on defined-benefit pension plans.

Sweden

The predominant plan in Sweden is the ITP plan under collective agreements between the Confederation of Swedish Enterprise and the Negotiation Cartel for Salaried Employees in the Private Business Sector (PTK). The ITP2 plan, which is based on an employee's final salary, covers individuals born 1978 and before and is a defined-benefit plan, while the ITP1 plan is a defined-contribution plan and covers individuals born 1979 and after.

Saab's defined-benefit pension plans in Sweden are secured either through transfers to the Group's own pension fund, as liabilities in the balance sheet or are funded through insurance mainly with Alecta. The Saab Pension Fund, which secures part of the ITP2 plan, had assets of MSEK 6,098 (5,579) as of 31 December 2017, compared to an obligation of MSEK 8,572 (7,826), calculated according to IAS 19, which means that the solvency margin amounted to 71 per cent (71).

The following applies to the portion of the defined-benefit pension obligation for retirement and family pensions secured through insurance with Alecta. According to a pronouncement by the Swedish Financial Reporting Board, this is a defined-benefit plan for multiple employers. Alecta is unable to provide the information that would allow Saab to report these obligations as a defined-benefit plan, owing to which they are reported as a defined-contribution plan. All newly earned pensions are secured through the pension fund solution. As a result, no additional premiums are paid to Alecta.

The collective funding ratio is calculated as the market value of Alecta's assets as a percentage of the insurance obligations calculated according to Alecta's actuarial methods and assumptions, which differ from IAS 19. The collective funding ratio is normally permitted to range between 125 and 155 per cent. At year-end 2017, Alecta's surplus in the form of the collective funding ratio was 154 per cent (149).

USA

The US has a defined-benefit plan for certain employees and a supplementary plan for individuals in executive positions. The plans are company-specific according to an agreement in 1986 between the employees and the company and include retirement and survivor's pensions. The pension is not vested during the first five years of employment, and the retirement age is 65. Payments corresponding to accrued pensions are made yearly to an external trustee to cover the obligation. Payments during 2017 amounted to MSEK 0 (1) since share funded exceeds the obligations.

Switzerland

Switzerland has a defined-benefit plan that includes all employees and where minimum benefits are prescribed by law. The company is affiliated with a collective foundation for the purpose of insuring its employees' retirement and survivor's pension, and payments are made annually. Provisions for pensions are made by both employer and employees. The employee may elect to receive the full pension as a lump sum at retirement.

Other countries

The pension plans in other countries are of insignificant amounts and are therefore reported together with Sweden below.

Disclosures regarding defined-benefit plans

MSEK	Group			
	Sweden	USA	Switzerland	Total
Wholly or partially funded obligations				
Present value of defined-benefit obligations	8,830	320	191	9,341
Fair value of assets under management	-6,144	-354	-197	-6,695
Present value of net obligation	2,686	-34	-6	2,646
Share funded	70%	111%	103%	72%
Average duration of pension obligation	18	14	16	
The net amount and the special employer's contribution is reported in the following items in the statement of financial position				
Provisions for pensions (excluding special employer's contribution)	2,686	-	-	2,686
Provisions for pensions (related to special employer's contribution)	738	-	-	738
Long-term receivables	-	34	6	40

MSEK	Group			
	Sweden	USA	Switzerland	Total
Wholly or partially funded obligations				
Present value of defined-benefit obligations	8,110	313	185	8,608
Fair value of assets under management	-5,635	-364	-185	-6,184
Present value of net obligation	2,475	-51	-	2,424
Share funded	69%	116%	100%	72%
Average duration of pension obligation	18	13	16	
The net amount and the special employer's contribution is reported in the following items in the statement of financial position				
Provisions for pensions (excluding special employer's contribution)	2,475	-	-	2,475
Provisions for pensions (related to special employer's contribution)	594	-	-	594
Long-term receivables	-	51	-	51

Note 34, cont.

Cost reported in the income statement

2017 MSEK	Group			Total
	Sweden	USA	Switzerland	
Current service costs	259	14	6	279
Net interest expense	71	-2	-	69
Cost of defined-benefit plans in the income statement	330	12	6	348
Cost of defined-contribution plans				725
Special employer's contribution				259
Total cost of post-employment benefits				1,332

2016 MSEK	Group			Total
	Sweden	USA	Switzerland	
Current service costs	230	14	7	251
Past service costs	-	-	-10	-10
Net interest expense	63	-3	-	60
Cost of defined-benefit plans in the income statement	293	11	-3	301
Cost of defined-contribution plans				679
Special employer's contribution				246
Total cost of post-employment benefits				1,226

Items included in the statement of cash flow

2017 MSEK	Group			Total
	Sweden	USA	Switzerland	
Deposits to pension fund and other funding	-3	-	-7	-10
Payments	-274	-5	-5	-284
Withdrawals	-	5	5	10
Total impact on cash flow	-277	-	-7	-284

2016 MSEK	Group			Total
	Sweden	USA	Switzerland	
Deposits to pension fund and other funding	-4	-1	-5	-10
Payments	-256	-20	8	-268
Withdrawals	-	20	-8	12
Total impact on cash flow	-260	-1	-5	-266

Estimated payments during 2018 amount to approximately MSEK 314. Actuarial gains and losses are reported in other comprehensive income.

Actuarial losses related to pensions amounted to MSEK 152 in 2017 primarily due to the following. The return on assets under management was higher than expected, which produced an actuarial gain of MSEK 400. The actuarial loss on pension obligations amounted to MSEK 552 due to 25 basis points lower discount rate and experience adjustments. No change has been made in the inflation assumptions. Changes in demographic assumptions have not had a significant effect.

The actuarial loss related to special employer's contribution amounted to MSEK 38 in 2017.

Changes in net obligation for defined-benefit plans reported in the statement of financial position

MSEK	Group	
	2017	2016
Net obligation for defined-benefit plans, 1 January	2,424	1,893
Compensation paid	-284	-268
Deposits to pension fund and other funding	-10	-10
Cost reported in the income statement	348	301
Income (-)/cost (+) reported in other comprehensive income	152	497
Settlement/translation differences	6	-1
Withdrawals from pension funds	10	12
Net obligation for defined-benefit plans, 31 December	2,646	2,424

Change in pension obligation

MSEK	Group	
	2017	2016
Fair value, 1 January	8,608	7,742
Benefits vested during the year	278	251
Benefits vested previous years	-	-10
Interest expense	237	250
Pension disbursements	-284	-268
Settlement	-8	-4
Actuarial gain (-)/loss (+)	552	611
Translation differences	-42	36
Fair value, 31 December	9,341	8,608

Change in assets under management

MSEK	Group	
	2017	2016
Fair value, 1 January	6,184	5,849
Financial income	170	190
Withdrawals	-10	-12
Settlement	-12	-4
Contributions	10	10
Actuarial gain	400	114
Translation differences	-47	37
Fair value, 31 December	6,695	6,184

Interest expense on the pension obligation less financial income on assets under management is classified as financial expense. Other pension costs are divided by function in the income statement in relation to how payroll expenses are charged to the various functions.

Sensitivity analysis (excluding special employer's contribution)

MSEK	Group	
	Change	Change in obligation
Discount rate	0.25%	-407
	-0.25%	435
Inflation	0.25%	422
	-0.25%	-449
Salaries	0.25%	90
	-0.25%	-84
Life span	+1 year	363

Note 34, cont.

Return on assets under management

MSEK	Group	
	2017	2016
Actual return on assets under management	570	304
Financial income on assets under management	-170	-190
Actuarial result from assets under management during the year	400	114

Governance

The pension fund is governed by the Pension Board, which resumes 4–5 times per year and has the following responsibilities:

- Appoint the members of the Investment Committee
- Appoint the Fund Manger
- Annually establish the Investment Policy
- Decide on strategic (long-term) and tactical (short-term) asset allocation and allow deviations in accordance with the terms of the SAA and TAA mandate
- Annually approve the benchmark indices to track the fund's performance
- Annually approve the stop loss limit

Investment strategy and risk management

The pension fund manages the allocation and investment of assets with an aim to increase the consolidation level over time. Certain risks are accepted in order to achieve the desired return. The investment horizon is long-term and the allocation ensures that the investment portfolio is well diversified.

The Fund's investments are subject to a number of restrictions and limitations, the purpose of which is to limit investment losses. Group Treasury continuously monitors the Fund's management and reports its findings to the Chairman of the Board and the Investment Committee.

Assets under management divided by asset class

Per cent	Group			
	2017	of which listed on an active market	2016	of which listed on an active market
Interest-bearing assets	39	100	36	100
Share-related assets	36	100	38	100
Hedge funds	9	-	12	-
Property	14	-	13	-
Liquid assets	2	-	1	-
Total assets	100	75	100	74

Assumptions for defined-benefit obligations

Per cent	Group				
	2017	2016	2015	2014	2013
Significant actuarial assumptions as of closing day (expressed as weighted averages)¹⁾					
Discount rate, 31 December	2.50	2.75	3.25	2.50	4.00
Future salary increase	2.75	2.75	2.75	2.50	3.00
Future increase in pensions	1.75	1.75	1.75	1.50	2.00
Employee turnover	3.00	3.00	3.00	3.00	3.00

¹⁾ Refers to Sweden since essentially all defined-benefit plans are in Sweden.

The following assumptions serve as the basis of the valuation of Saab's pension liability:

Discount rate: The valuation has been based on Swedish covered mortgage bonds (AAA), taking into account the duration of all cash flows. A nominal government bond whose duration corresponds to the average duration of the pension obligation is used as a basis. A premium is then added equal to the difference between the interest rate on a mortgage bond and a nominal government bond with similar maturities. The same discount rate has been used for all future disbursements.

Long-term salary increase assumption: The long-term salary increase assumption corresponds to a real salary increase of 1 per cent plus an inflation assumption of 1.75 per cent, rendering a future salary increase of 2.75 per cent.

Long-term inflation assumption: The long-term inflation assumption is based on market pricing of inflation on maturities corresponding to the pension liability's duration. For 2017, the assumption is 1.75 per cent.

Mortality: Mortality is the same assumption recommended by the Financial Supervisory Authority (FFFS 2007:31).

Employee turnover: The employee turnover is assumed to be 3 per cent per year.

ACCOUNTING PRINCIPLES PARENT COMPANY

The parent company's accounting principles differ from IAS 19 in the following ways:

- The calculation does not take into account future salary increases
- The discount rate is determined by PRI
- Changes in the discount rate and other actuarial assumptions are recognised directly in the income statement and balance sheet
- Surplus in the pension plan cannot be recognised as an asset while the deficit should either be expensed or recovered through contributions to the pension fund

Parent Company's pension obligations

Funds allocated for pensions according to the balance sheet correspond to the net present value of existing pension obligations less funds that are secured by Saab's pension fund.

MSEK	31-12-2017	31-12-2016
Pension obligations ITP 2	4,278	4,167
Less funds secured in pension fund	-4,278	-4,167
Total ITP 2 and the book reserve method	-	-
Other pensions	91	86
Other provisions for pensions	161	67
Total	252	153
Of which credit guarantees in PRI Pensionsgaranti	44	57

MSEK	2017	2016
Amount related to pension obligations ITP 2 expected to be settled within 12 months	190	179

NOTE 35 PROVISIONS**ACCOUNTING PRINCIPLES**

A provision is recognised in the statement of financial position when the Group has a legal or informal obligation owing to an event that has occurred and it is likely that an outflow of economic resources will be required to settle the obligation and a reliable estimate of the amount can be made. Where it is important when in time payment will be made, provisions are estimated by discounting projected cash flow at a pre-tax interest rate that reflects current market estimates of the time value of money and, where appropriate, the risks associated with the liability.

Provisions for incremental costs for industrial cooperations

Some of Saab's contracts with customers contain requirements on technology and knowledge transfers as well as various forms of industrial cooperation. The related costs are included in the project's expenditures and expensed in relation to the stage of completion. The expenditures are then set against this provision, which can also occur after the delivery of goods and services under the contract.

Onerous contracts

A provision for an onerous contract is recognised when anticipated benefits are less than the unavoidable costs to fulfil the obligations as set out in the contract.

Guarantees

A provision for guarantees is normally recognised when the underlying products or services are sold if a reliable calculation of the provision can be made. The provision is based on historical data on guarantees for the products or similar products and an overall appraisal of possible outcomes in relation to the likelihood associated with these outcomes.

Restructuring

A provision for restructuring is recognised when a detailed, formal restructuring plan has been established and the restructuring has either begun or been publicly announced. No provision is made for future operating losses.

A provision is recognised in connection with termination of personnel only if the company is obligated to terminate an employment before the customary time, e.g., when compensation is paid in connection with a voluntary termination offer. In cases where the company terminates personnel, a detailed plan is drafted containing at the minimum the workplaces, positions and approximate number of individuals affected as well as compensation for each personnel category or position and a schedule for the plan's implementation.

Soil remediation

In accordance with the Group's publicly announced environmental policy and applicable legal requirements, periodic estimates are made of Saab's obligations to restore contaminated soil. Anticipated future payments are discounted to present value and recognised as an operating expense and a provision. Provision for environmental commitments is included in other provisions below.

MSEK	Group	
	31-12-2017	31-12-2016
Provisions that are long-term liabilities		
Incremental costs for industrial cooperations	497	331
Onerous contracts	81	86
Guarantees	60	72
Expenditures for restructuring measures	9	15
Other	377	307
Total	1,024	811

Provisions that are current liabilities

Incremental costs for industrial cooperations	10	7
Onerous contracts	183	84
Guarantees	114	98
Expenditures for restructuring measures	18	39
Other	163	171
Total	488	399

MSEK	Parent Company	
	31-12-2017	31-12-2016
Incremental costs for industrial cooperations	497	331
Onerous contracts	133	78
Guarantees	89	122
Expenditures for restructuring measures	20	42
Other	98	81
Total	837	654

Incremental costs for industrial cooperations

MSEK	Parent Company	
	Group	Company
Opening balance, 1 January 2017	338	331
Provisions allocated during the year	192	189
Amount utilised during the year	-23	-23
Closing balance, 31 December 2017	507	497

Onerous contracts

MSEK	Parent Company	
	Group	Company
Opening balance, 1 January 2017	170	78
Provisions allocated during the year	251	158
Amount utilised during the year	-122	-96
Reversal of unutilised amount	-7	-7
Reclassification	-26	-
Translation differences and other	-2	-
Closing balance, 31 December 2017	264	133

Guarantees

MSEK	Group	Parent Company
Opening balance, 1 January 2017	170	122
Provisions allocated during the year	95	30
Amount utilised during the year	-63	-35
Reversal of unutilised amount	-11	-8
Reclassification	-17	-20
Closing balance, 31 December 2017	174	89

Expenditures for restructuring measures

MSEK	Group	Parent Company
Opening balance, 1 January 2017	54	42
Provisions allocated during the year	19	19
Amount utilised during the year	-41	-41
Reversal of unutilised amount	-1	-
Reclassification	-4	-
Closing balance, 31 December 2017	27	20

Other provisions

MSEK	Group	Parent Company
Opening balance, 1 January 2017	478	81
Provisions allocated during the year	51	14
Amount utilised during the year	-78	-16
Reversal of unutilised amount	-19	-2
Reclassification	111	21
Translation differences and other	-3	-
Closing balance, 31 December 2017	540	98

Total provisions

MSEK	Group	Parent Company
Opening balance, 1 January 2017	1,210	654
Provisions allocated during the year	608	410
Amount utilised during the year	-327	-211
Reversal of unutilised amount	-38	-17
Reclassification	64	1
Translation differences and other	-5	-
Closing balance, 31 December 2017	1,512	837

Incremental costs for industrial cooperations

Some of Saab's contracts with customers contain requirements on technology and knowledge transfers as well as various forms of industrial cooperation.

Provision for incremental costs for industrial cooperations relates to costs to meet future obligations for industrial cooperations in accordance with these contracts. The expenditure is expected to occur during the term of the projects but also after the delivery of goods and services under the contracts in accordance with the contract and the regulation for industrial cooperation.

Restructuring

Structural costs primarily relate to costs to adapt resources and transformation costs. The expenditure is expected to occur 2018.

Onerous contracts

Provisions for onerous contracts on the closing day relate to certain military projects. The provisions are utilised in pace with the project's completion.

Other provisions

Other provisions primarily relate to provisions for remaining costs in projects, for environmental commitments as well as for royalty.

No provision has been made for liability risks associated with the production of civil aircraft or the production of sub-components for civil aircraft.

NOTE 36 OTHER LIABILITIES

MSEK	Group	
	31-12-2017	31-12-2016
Other long-term liabilities		
Liabilities to previous owners and minority owners	123	112
Liabilities related to employees	52	52
Other	35	38
Total	210	202
Of which liabilities due for payment more than five years after closing day	159	174
Other current liabilities		
Value-added tax	316	191
Employee withholding taxes	265	262
Liabilities to associated companies and joint ventures	20	18
Other	204	224
Total	805	695

MSEK	Parent Company	
	31-12-2017	31-12-2016
Value-added tax	181	55
Employee withholding taxes	161	167
Other	218	290
Total	560	512
Of which liabilities due for payment more than five years after closing day	13	21

Saab considers that there is no significant difference between book and fair value.

NOTE 37 ACCRUED EXPENSES AND DEFERRED INCOME

MSEK	Group		Parent Company	
	31-12-2017	31-12-2016	31-12-2017	31-12-2016
Accrued expenses				
Accrued project costs	1,459	979	527	597
Vacation pay liability	1,126	1,074	760	722
Social security expenses	775	769	614	631
Expected invoices	407	309	263	228
Personnel liabilities	301	234	206	162
Claims reserve	90	92	1	1
Royalties and commissions	31	46	27	33
Other	128	258	61	33
Total accrued expenses	4,317	3,761	2,459	2,407
Deferred income				
Capitalised changes in value related to forward contract rollovers	-	-	231	198
Other	166	227	65	107
Total deferred income	166	227	296	305
Total	4,483	3,988	2,755	2,712

Saab considers that there is no significant difference between book and fair value.

NOTE 38 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Saab's financial assets and liabilities and contractual obligations give rise to financial risks. These risks are managed to a large extent with various financial instruments.

Group Treasury is responsible for managing the financial risks. The Board of Directors of Saab has established a Group Treasury Policy, which provides an overall description of the management of the financial risks and Treasury operations. The goal is to identify and actively manage the financial risks in order to reduce any negative impact on the Group's results, competitive strength and financial flexibility.

The financial risks are defined as follows:

- Foreign currency risk
- Liquidity risk
- Refinancing risk
- Interest rate risk
- Commodity price risk
- Credit and counterparty risk
- Pension obligations

Group Treasury has a risk mandate expressed as VaR (Value at Risk) of MSEK 50 (50). The mandate is divided between management of the financial risks related to fixed price tenders and to a limited extent trading. Risks are managed through various portfolios and are reported daily according to defined risk measures.

Management of the Group's funding and investment of liquid assets, customer financing, guarantees and insurance is centralised in Group Treasury. In certain limited cases, insurance is managed by the Group's insurance company, Larsen Försäkrings AB.

ACCOUNTING PRINCIPLES**Recognition and valuation of financial assets and liabilities**

A financial asset or liability is recognised in the statement of financial position when the company becomes party to the instrument's contractual terms.

Accounts receivable are recognised in the statement of financial position when an invoice has been sent.

A financial asset is removed from the statement of financial position when the rights in the contract are realised, expire or the company loses control over the asset. The same applies to part of a financial asset. A financial liability is removed from the statement of financial position when the obligation in the agreement has been discharged or otherwise extinguished. The same applies to part of a financial liability.

On each reporting date, Saab evaluates whether there are objective indications that a financial asset or pool of financial assets, which are not recognised at fair value through profit or loss, are in need of write-down. Financial assets and liabilities are offset and recognised as a net amount in the statement of financial position when there is a legal right to a set-off and when the intent is to settle the items with a net amount or to realise the asset and settle the liability at the same time.

Financial instruments are initially recognised at cost, corresponding to the instrument's fair value plus transaction expenses. The same applies to all financial instruments with the exception of those in the category financial assets and liabilities at fair value through profit or loss, where cost excluding transaction expenses equals fair value. The instruments are subsequently recognised at fair value or amortised cost, depending on how they have been classified as follows. The fair value of listed financial assets and liabilities is determined using market prices. Saab also applies various valuation methods to determine the fair value of financial assets and liabilities traded on an inactive market or that are unlisted holdings. These valuation methods are based on the valuation of similar instruments, discounted cash flows or accepted valuation models such as Garman-Kohlhagens. Amortised cost is determined based on the effective interest rate calculated on the acquisition date.

Classification of financial assets and liabilities

The Group's financial assets and liabilities are classified according to the following categories, which determine how each item is valued.

Financial assets and liabilities at fair value through profit or loss:

Assets and liabilities in this category are measured at fair value with changes in value recognised in profit or loss. This category consists of two subgroups: (i) financial assets and liabilities held for trading, and (ii) other financial assets and liabilities that the company initially chose to measure at fair value through profit or loss.

A financial asset is classified as held for trading if it is acquired for the purpose of selling in the near term. Derivatives are always measured at fair value through pro-

fit or loss, except when hedge accounting is applied, in which case the portion that refers to effective hedging is recognised in other comprehensive income.

Held-to-maturity investments:

Financial assets in this category refer to non-derivative assets with predetermined or determinable payments and scheduled maturities that the company intends and has the ability to hold to maturity. They are measured at amortised cost.

Loans receivable and accounts receivable:

Loans receivable and accounts receivable are non-derivative financial assets with fixed payments that are not listed on an active market. Receivables arise when the company provides money, goods or services directly to the debtor without the intent to trade its claim. The category also includes acquired receivables. Assets in this category are recognised after acquisition at amortised cost, according to the effective rate method.

Accounts receivable are recognised at the amount expected to be received based on an individual valuation. Accounts receivable have a short maturity, due to which they are recognised at their nominal amount without discounting. Impairment losses on accounts receivable are recognised in operating expenses. Saab has a trade receivable sales programme with an independent party. When a receivable is sold, the entire credit risk is transferred to the counterparty, because of which the accounts receivable are reduced by the proceeds received. Other receivables are receivables that arise when the company provides money without the intent to trade its claim.

Available-for-sale financial assets:

Available-for-sale financial assets are those assets that are available for sale or are not classified in any of the other categories of financial assets. These assets are measured at fair value. Changes in value are recognised directly in other comprehensive income. When the assets are sold, the cumulative value changes are reversed to profit or loss. Unrealised decreases in value are recognised in other comprehensive income unless the decrease in value is material or has lasted for an extended period, in which case the value is impaired through profit or loss. If the write-down refers to equity instruments such as shares, the write-down is not reversed through profit or loss.

Other financial liabilities:

Liabilities classified as other financial liabilities are initially recognised at fair value, which equals the amount received after deducting transaction expenses. After acquisition, the liabilities are measured at amortised cost, according to the effective rate method. Trade accounts payable are classified in the category other financial liabilities. Trade accounts payable have a short expected maturity and are measured without discounting to their nominal amount.

Hedge accounting

To meet the requirements for hedge accounting there must be an economic relationship between the hedging instrument and the hedged item and the hedging relationship must be effective until the hedge matures.

To cover the Group's risks associated with changes in exchange rates and exposure to interest rates, derivatives, consisting of forward exchange contracts, options and swaps, are utilised. They are recognised initially and in subsequent revaluations at fair value, that is, at each reporting date.

Changes in the fair value of derivatives that do not meet the requirements for hedge accounting are recognised directly in profit or loss. If the underlying hedged items relate to operations-related receivables or liabilities, the effect on earnings is recognised in operating income, while the corresponding effect on earnings related to financial receivables and liabilities is recognised in financial net.

The Group applies hedge accounting to cash flow hedges as follows.

Cash flow hedges

Forward exchange contracts (hedge instruments) entered into mainly to hedge future receipts and disbursements against currency risks and classified as cash flow hedges (primarily related to contracted sales volumes) are recognised in the statement of financial position at fair value. Changes in value are recognised in other comprehensive income and separately recognised in the hedge reserve in equity until the hedged cash flow meets the operating income, at which point the cumulative changes in value of the hedging instrument are transferred to profit or loss to meet the effects on earnings of the hedged transaction.

When the hedged future cash flow refers to a transaction that will be capitalised in the statement of financial position, the hedge reserve is dissolved when the hedged item is recognised in the statement of financial position. If the hedged item is a non-financial asset or liability, the reversal is included in the original cost of the asset or liability. If the hedged item is a financial asset or liability, the hedge reserve is dissolved gradually through profit or loss at the same rate that the hedged item affects earnings.

When a hedging instrument expires, is sold, terminated or exercised, or the company otherwise revokes the designation as a hedging relationship before the hedged transaction occurs and the projected transaction is still expected to occur, the recognised cumulative gain or loss remains in the hedge reserve in equity and is recognised in the same way as above when the transaction occurs.

If the hedged transaction is no longer expected to occur, the hedging instrument's cumulative gains and losses are immediately recognised in profit or loss in accordance with principles described above for derivatives.

FINANCIAL INSTRUMENTS

Financial instruments within the Group mainly consist of liquid assets, accounts receivable, shares, loans receivable, bonds receivable, derivatives with positive market values, certain accrued income and other receivables. The liability side includes accounts payable, loans payable, derivatives with negative market values, certain accrued expenses and other liabilities.

The following table shows a subdivided statement of financial position categorised and classified according to IAS 39.

Classification and categorisation of financial assets and liabilities ¹⁾	Carrying amount	
	31-12-2017	31-12-2016
Financial assets		
Financial investments at fair value through profit or loss	26	25
Investments held to maturity ²⁾	-	140
Long-term receivables	481	505
Derivatives identified as hedges	1,030	1,225
Derivatives at fair value through profit or loss for trading	109	65
Accounts receivable and other receivables	13,343	12,740
Short-term investments at fair value	4,469	4,542
Liquid assets	2,202	1,402
Total financial assets	21,660	20,644
Financial liabilities		
Interest-bearing liabilities ³⁾	6,327	5,916
Derivatives identified as hedges	1,007	1,862
Derivatives at fair value through profit or loss for trading	86	93
Other liabilities	6,934	6,284
Total financial liabilities	14,354	14,155

¹⁾ Derivates with positive values are recognised as assets and derivatives with negative values are recognised as liabilities. Derivatives with a legal right of offset amount to MSEK 853.

²⁾ Fair value (Level 1) 2017: MSEK 0; 2016: MSEK 140.

³⁾ Fair value (Level 2) 2017: MSEK 6,412; 2016: MSEK 6,052.

Valuation of financial instruments at fair value are divided into the following three valuation levels:

Level 1

According to listed (unadjusted) prices on an active market on the closing date:

- *Bonds and interest-bearing securities*
- *Electricity derivatives*
- *Interest rate forwards*

Level 2

According to accepted valuation models based on observable market data:

- *Forward exchange contracts:* Future payment flows in each currency are discounted by current market rates to the valuation day and valued in SEK at period-end exchange rates.
- *Options:* The Garman-Kohlhagens option-pricing model is used in the market valuation of all options.
- *Interest rate swaps and cross currency basis swaps:* Future variable interest rates are calculated with the help of current forward rates. These implicit interest payments are discounted to the valuation date using current market rates. The market value of interest rate swaps is obtained by contrasting the discounted variable interest payments with the discounted present value of fixed interest payments.

Level 3

According to accepted principles, e.g. for venture capital firms:

- *Unlisted shares and participations*

Note 38, cont.

As of 31 December 2017, the Group had the following financial assets and liabilities at fair value:

Assets at fair value

MSEK	2017	Level 1	Level 2	Level 3
Bonds and interest-bearing securities	4,469	4,469	-	-
Forward exchange contracts	1,056	-	1,056	-
Currency options	25	-	25	-
Cross currency basis swaps	51	-	51	-
Electricity derivatives	7	7	-	-
Shares and participations	26	-	-	26
Total	5,634	4,476	1,132	26

Liabilities at fair value

MSEK	2017	Level 1	Level 2	Level 3
Forward exchange contracts	1,021	-	1,021	-
Currency options	11	-	11	-
Interest rate swaps	61	-	61	-
Total	1,093	-	1,093	-

FINANCIAL RISK MANAGEMENT**Foreign currency risk**

Foreign currency risk refers to the risk that fluctuations in exchange rates will negatively affect income or net assets.

Economic exposure

Income is affected when sales and the cost of goods and services sold are in currencies other than the functional currency. Foreign currency risk also arises when fixed-price tenders are issued in foreign currency.

Outstanding fixed-price tenders in foreign currency are usually managed in a special portfolio, the tender portfolio. The following table shows outstanding nominal net hedges for the most predominant currencies as of year-end.

Net hedges (million)	Forward contracts		Options		Total hedge	
	2017	2016	2017	2016	2017	2016
USD	-45	-23	-172	-55	-217	-78
EUR	-74	-18	-105	-	-179	-18
GBP	-3	-5	-	-15	-3	-20
DKK	-	20	-	-	-	20
CZK	-	-178	-	-	-	-178

The tender portfolio's external hedges are measured in relation to the benchmark in order to allocate VaR. The benchmark corresponds to the external hedge that would optimally be done to entirely eliminate the exchange rate risk that a tender gives rise to in relation to the likelihood that a business contract is received. If the two correspond, the tender portfolio will by definition be risk-neutral – i.e. its VaR measure will be zero.

In 2017, about MSEK 30, expressed as VaR, was allocated to the tender portfolio, and at year-end VaR amounted to MSEK 17 (7). Hedge accounting is not applied to the portfolio's hedges, due to which the Group's result is affected by the outcome of the tenders and the exchange rate for the underlying currency pair. The portfolio's effect on the Group's result in 2017 was MSEK 54 (-11).

Translation exposure

Comprehensive income is affected when the results and net assets of foreign subsidiaries are translated to SEK. The value of net assets exposed to transaction exposure amounted to MSEK 4,951 (5,055) at year-end; see the following table.

Net assets translated to SEK

MSEK	31-12-2017	31-12-2016
USD	2,057	2,181
EUR	778	768
AUD	651	616
ZAR	392	314
GBP	307	310
CHF	127	194
Other currencies	639	672
Total	4,951	5,055

The effect on net assets of a change in exchange rates of +/- 10 per cent would be a change in value of MSEK 495.

Foreign currency risk due to translation effects on the net assets of foreign subsidiaries is not hedged.

Transaction exposure

Contracted flows in the order backlog are exposed to transaction exposure. Saab hedges the currency exposure in the order backlog with currency derivatives (mainly forward exchange contracts), which means that changes in exchange rates do not affect the Group's future results with respect to the current order backlog. To reduce the transaction exposure, amounts in foreign currency are netted as well. Hedges are normally arranged for each specific contract. The average forward rate is then used as the contract's rate for revenue recognition.

In 2017, countries outside Sweden accounted for 58 per cent (57) of Saab's sales. Since a large share of production takes place in Sweden with expenses denominated in SEK, Saab has a large net exposure in foreign currencies.

The predominant contract currencies in the order backlog of SEK 106.8 billion (107.6) are SEK, USD, EUR and GBP. Of the total order backlog, 56 per cent (62) is in fixed prices with or without indexing, while the remaining 44 per cent (38) contains variable prices with index and/or currency clauses.

In the event the cash flow is far in the future, an extension strategy can be applied, the currency hedge can be shifted to an earlier date than when the cash flow is expected and hedge accounting for that time period is then applied to changes in the spot price.

Impairment of unprofitable contracts in foreign currency that are not hedged against foreign currency risk is based on the valuation of future cash flows at the spot rate. These contracts mainly refer to anticipated future orders as part of long-term commercial aircraft programmes in USD.

Framework agreements contain both transaction and economic exposure and mainly apply to the various commercial aircraft programmes.

Hedge accounting according to IAS 39 is applied to derivatives intended to hedge the transaction exposure. The market value of existing hedges of the order backlog and framework agreements amounted to MSEK 73 (-564). Currency sensitivity, i.e. the effect of a change in exchange rates of +/- 10 per cent, would affect the market value of derivatives by +/- MSEK 223 (362). The inefficiency in the cash flow hedges that affected net income for the year amounted to MSEK 0 (0).

Note 38, cont.

The following table shows the cash flows for derivatives recognised as cash flow hedges, expressed in millions in local currency.

Million	EUR			GBP			USD		
	Outflow	Inflow	Net	Outflow	Inflow	Net	Outflow	Inflow	Net
2018	-114	197	83	-53	62	9	-417	471	54
2019	-39	50	11	-46	24	-22	-210	164	-46
2020	-123	37	-86	-67	13	-54	-251	473	222
2021	-	5	5	-25	1	-24	-344	564	220
2022	-	4	4	-33	1	-32	-136	112	-24
2023 and forward	-	1	1	-22	2	-20	-99	102	3
Total flows 2017	-276	294	18	-246	103	-143	-1,457	1,886	429
Total flows 2016	-249	344	95	-205	81	-124	-1,644	2,013	369

Currency exposure

The Group's total outstanding currency derivatives related to all currency risks are shown in the following table.

The Group's outstanding derivatives

Currency derivatives			Fair value 2017			2016	
Million	Currency	Local currency	Asset SEK	Liability SEK	Net	Local Currency	Net
Maturity up to 1 year	EUR	-249	61	97	-36	-131	-8
	GBP	-20	31	19	12	-30	33
	USD	-687	372	471	-99	-620	-574
	Other	-	42	50	-8	-	-23
Subtotal			506	637	-131		-572
Maturity 1 to 3 years	EUR	59	46	38	8	-61	-21
	GBP	66	21	39	-18	14	6
	USD	-105	323	94	229	-97	-50
	Other	-	16	6	10	-	1
Subtotal			406	177	229		-64
Maturity 3 to 5 years	EUR	-9	-	4	-4	82	-5
	GBP	55	2	88	-86	65	-47
	USD	-96	167	71	96	-135	96
	Other	-	-	-	-	-	-
Subtotal			169	163	6		44
Maturity over 5 years	EUR	-	-	-	-	-4	-1
	GBP	20	-	34	-34	53	-83
	USD	82	-	21	-21	185	88
	Other	-	-	-	-	-	-
Subtotal			-	55	-55		4
Currency derivatives, total¹⁾²⁾			1,081	1,032	49		-588

¹⁾ Retained premiums on open currency contracts amount to MSEK -19 (-12).

²⁾ Of which derivatives used as cash flow hedge MSEK -1 (-554).

The Parent Company's outstanding derivatives

Currency derivatives			Fair value 2017			2016	
Million	Currency	Local currency	Asset SEK	Liability SEK	Net	Local Currency	Net
	EUR	-122	129	145	-16	4	-28
	GBP	656	764	643	121	104	-104
	USD	102	54	190	-136	-547	-421
	Other	-	62	64	-2	-	-15
Currency derivatives, Parent Company total			1,009	1,042	-33		-568

Liquidity risk

Liquidity risk refers to the risk of not being able to meet payment obligations due to insufficient liquidity. The company consistently maintains unutilised credit facilities or liquid assets corresponding in value to MSEK 4,000, adjusted for loans with maturity dates within 12 months but never less than 10 per cent of sales (total sales).

In addition Treasury closely monitor all guarantees issued by banks and calculate a risk weighted amount to be held in liquid assets.

Liquidity risk is minimised by diversifying financing sources and maturities. For maturity analysis of the Group's financial liabilities, see tables for each class of derivatives in this note as well as information on interest-bearing liabilities in note 32. The Group's other financial liabilities include accounts payable with credit terms normally within 30-90 days as well as other operating liabilities which are classified as current.

Saab has access to the following credit facilities:

Loan facilities	Facility	Utilised	Available
MSEK			
Revolving credit facility (maturity 2022)	6,000	-	6,000
Overdraft facility (maturity 2018)	42	-	42
Total confirmed credit facilities	6,042	-	6,042
Commercial paper	5,000	-	5,000
Medium Term Notes (MTN)	6,000	4,812	1,188
Total loan programmes	11,000	4,812	6,188
Total loan facilities	17,042	4,812	12,230

Saab has two revolving credit facilities with an equivalent value of MSEK 6,000 divided between eight banks. Both facilities have a term of five years to 2022. Saab also has a commercial paper programme with a limit of MSEK 5,000 (5,000) and a Medium Term Note (MTN) programme with a limit of MSEK 6,000 (6,000). As of 31 December 2017, MSEK 0 (0) in commercial paper and MSEK 4,812 (4,150) in MTN had been issued.

In addition to these credit facilities, as part of efforts to diversify funding sources, Saab has borrowed MEUR 100 under a Schuldschein documentation. In addition, Saab has an established programme for the sale of trade receivables with a framework of MSEK 1,475, of which MSEK 0 (0) was utilised at 31 December 2017. Saab's aim is to utilise this programme in situations where greater financial flexibility is needed.

No financial covenants are attached to any of Saab's credit facilities.

Refinancing risk

Refinancing risk refers to the risk that Saab cannot replace maturing loans with either new loans or its own funds. To minimise this risk, Saab maintains a diversified loan maturity structure; see the table under funding. Capital is tied up in Saab's loan portfolio for an average in the range of 24-60 months. As of 31 December 2017 this amounted to 42 months.

As part of the effort to minimize refinancing risk, MTN loans with maturity in December 2018 has been repurchased at a nominal amount of MSEK 1 038 and replaced with new MTN loans maturing in 2022 at a nominal amount of MSEK 1 700.

Interest rate risk

Interest rate risk refers to the risk that Saab will be negatively affected by changes in interest rate levels. Interest rate futures and swaps are used to manage interest rate risks and achieve the desired interest rate duration. Lending to subsidiaries in foreign currency is normally financed in SEK and converted to the subsidiary's currency through swaps. Interest rate risk and foreign currency risk is managed with cross currency basis swaps.

Saab is exposed to interest rate risk when the market value of certain items in the statement of financial position is affected by changes in underlying interest rates. The item with the largest exposure is pension obligations due to the liability's long duration.

Changes in market rates affect Saab's net financial items.

Loan portfolio

The loan portfolio consists of loans and interest rate derivatives. The portfolio's average duration falls in the range of 12-48 months (12-48). As of year-end, the duration was 31 months (29).

The interest rates on long-term floating-rate funding are primarily hedged at fixed rates through interest rate swaps. In its reporting, Saab applies cash flow hedging, which means that changes in the value of interest rate swaps are recognised in other comprehensive income and separately recognised in the hedge reserve in equity. The change in value is recognised in financial income and expenses when transferred to profit or loss. Inefficiency affecting net income for the year amounted to MSEK 0 (0).

The effect of a change in market interest rates of +/- 0.10 per cent would affect financial expenses at +/- 1 MSEK and other comprehensive income/loss at +/- 12 MSEK.

Financing (refers to utilised credit facilities)

MSEK (Nom)	Fixed interest ¹⁾	Tied-up capital
Maturities		
1 year	1,499	312
2 years	1,575	1,575
3 years	425	425
4 years	400	1,141
5 years and forward	1,839	2,285
Total	5,738	5,738

¹⁾ Effects of derivative agreements entered are included in the fixed interest.

Investment portfolio

The investment portfolio consists of investments in interest-bearing securities and interest rate derivatives. The portfolio's average duration falls in the range of 3-24 months (3-24). As of year-end, the duration was 10 months (9).

An increase in market interest rates of 0.10 per cent would affect financial income by - 5 MSEK. A corresponding decrease in market interest rates of 0.10 per cent would positively affect financial income by 5 MSEK.

Investments in interest-bearing securities and bank deposits

MSEK (Nom)	Fixed interest ¹⁾	Tied-up capital
Maturities		
1 year	4,327	1,619
2 years	90	1,374
3 years	100	1,524
4 years	400	400
5 years and forward	420	420
Total	5,337	5,337

¹⁾ Effects of derivative agreements entered are included in the fixed interest.

Forward exchange contracts

Forward exchange contracts used to hedge commercial currency flows contain an interest component. In certain cases, Saab may decide to shift the hedge to an earlier date than when the cash flow is expected. This primarily refers to very long-term customer contracts, which then generate an interest rate risk. The underlying cash flows that are exposed to extensions through forward exchange contracts amounted to MUSD 271 (276) at year-end.

Interest rate derivatives

The table below shows the Group's outstanding interest rate derivatives.

Interest rate derivatives	Fair value 2017			2016		
	Cur- rency	Local cur- rency	Asset SEK	Liability SEK	Local Cur- rency	Net
Million						
Maturity up to 1 year	SEK	150	-	3	-3	-
Subtotal			-	3	-3	-
Maturity 1 to 3 years	SEK	2,200	-	46	-46	2,225
	EUR ²⁾	85	48	-	48	-
Subtotal			48	46	2	-87
Maturity 3 to 5 years	SEK	1,750	-	12	-12	1,125
	EUR ²⁾	15	3	-	3	80
Subtotal			3	12	-9	1
Maturity over 5 years	SEK		-	-	-	-
	EUR ²⁾		-	-	-	20
Subtotal			-	-	-	2
Interest derivatives, total ¹⁾³⁾			51	61	-10	-84

¹⁾ Market value includes accrued interest of MSEK -6 (-5).

²⁾ Refers to cross currency basis swaps (CCY).

³⁾ Of which derivatives used for cash flow hedges MSEK -53 (-111).

Commodity price risk

Commodity price risk refers to the risk that Saab will be negatively affected by changes in commodities. Purchasing costs for material are managed primarily through contract clauses with customers and suppliers. Purchasing costs for electricity are managed through hedging instruments. Electricity derivatives are managed through a discretionary management mandate. The market value of electricity derivatives as of year-end was MSEK 7 (7). Hedge accounting is applied to electricity derivatives. Inefficiency affecting net income for the year amounted to MSEK 0 (0).

The Group's outstanding electricity derivatives

Electricity derivatives	Fair value 2017				2016		Net amount in balance sheet	Master netting arrangements	Collateral received/assets pledged	Net amount
	Mega-watt	Asset SEK	Liability SEK	Net	Mega-watt	Net				
Million										
Maturity up to 1 year	12	4	-	4	19	4	1,243	-1,121	-	122
Subtotal		4	-	4		4				
Maturity 1 to 3 years	10	3	-	3	11	3	29	-	-	29
Subtotal		3	-	3		3				
Electricity derivatives, total ¹⁾		7	-	7		7	1,290	-1,121	-	169

¹⁾ Of which derivatives used for cash flow hedges MSEK 7 (7).

Credit and counterparty risks

Credit risk is the risk that the counterparty in a transaction will not be able to fulfil the financial obligations of a contract. In the course of its day-to-day operations, Saab is exposed to credit risks as a result of transactions with counterparties in the form of customers, suppliers and financial players. The Group's aggregate credit risks consist of commercial credit risks and financial credit risks.

Commercial credit risks

Commercial credit risks consist of outstanding accounts receivable and advances paid to suppliers. This type of credit risk is identified and managed on a case-by-case basis. Credit risks that arise in customer contracts are managed by utilising available banking or insurance products. In some cases, export credit institutions may be used as well. Commercial credit risks that arise through advances paid to suppliers are managed by maintaining bank-guaranteed collateral. At 31 December 2017, the Group had paid advances to suppliers of MSEK 44 (47).

Accounts receivable represent a commercial credit risk. Where counterparties' creditworthiness is deemed unsatisfactory, bank or insurance guarantees or guarantees from EKN are secured to ensure that payment will be received. Since accounts receivable are generally secured through bank or insurance guarantees or are attributable to states, the commercial credit risk is low. For more information on the Group's accounts receivable, see note 28.

Financial credit risks

Financial credit risk consists of exposures to financial institutions through deposits, securities investments and/or the market value of outstanding derivatives.

The Group's policy for managing financial credit risks is to ensure that all financial counterparties have a long-term credit rating of no lower than A- from Standard and Poor's or A3 from Moody's.

Each financial counterparty is assigned a credit limit based on its long-term credit rating.

Saab has entered into ISDA master agreements with financial counterparties to net the positive and negative market values of outstanding derivatives; see the tables below. Saab has only CSA contract with a counterparty that gives Saab a unilateral right to collateral.

Market value of financial assets and liabilities subject to netting arrangements

2017	Gross amount	Set-off	Net amount in balance sheet	Master netting arrangements	Collateral received/assets pledged	Net amount
Currency derivatives	1,081	-	1,081	-853	-4	224
Interest rate derivatives	-	-	-	-	-	-
CCY ¹⁾	51	-	51	-	-	51
Electricity derivatives	7	-	7	-	-	7
Assets	1,139	-	1,139	-853	-4	282
Currency derivatives	1,032	-	1,032	-853	-	179
Interest rate derivatives	61	-	61	-	-	61
CCY ¹⁾	-	-	-	-	-	-
Electricity derivatives	-	-	-	-	-	-
Liabilities	1,093	-	1,093	-853	-	240

¹⁾ Cross currency basis swaps.

2016	Gross amount	Set-off	Net amount in balance sheet	Master netting arrangements	Collateral received/assets pledged	Net amount
Currency derivatives	1,243	-	1,243	-1,121	-	122
Interest rate derivatives	-	-	-	-	-	-
CCY ¹⁾	29	-	29	-	-	29
Electricity derivatives	18	-	18	-	-	18
Assets	1,290	-	1,290	-1,121	-	169
Currency derivatives	1,831	-	1,831	-1,121	-	710
Interest rate derivatives	113	-	113	-	-	113
CCY ¹⁾	-	-	-	-	-	-
Electricity derivatives	11	-	11	-	-	11
Liabilities	1,955	-	1,955	-1,121	-	834

¹⁾ Cross currency basis swaps.

Credit risk is calculated on established and anticipated risks pursuant to the recommendations of the Bank of International Settlements (BIS). As of 31 December 2017, credit risks amounted to MSEK 5,855 (4,890), of which deposits with banks, mortgage institutions, companies and the Swedish government totalled MSEK 5,462 (5,126).

Hedge reserve

The hedge reserve before tax amounted to MSEK -379 (-990), of which the unrealised value of derivatives was MSEK -46 (-658) and the realised effects arising from rollovers of derivatives was MSEK -333 (-332).

The change in the hedge reserve in 2017 of MSEK 611 consists of a reversal to profit or loss of MSEK 525, change in the value of existing derivatives of MSEK 62, the market value of hedges obtained during the year of MSEK 8, and change that arose due to derivative rollovers of MSEK 16. For information on the amount recognised in other comprehensive income, see consolidated net comprehensive income.

The inefficiency in cash flow hedges that affected net income for the year amounted to MSEK 0 (0).

Trading

Proprietary trading is permitted to a limited extent in fixed income and currency instruments. The main purpose of this trading is to gain access to qualitative market information and maintain a high level of market expertise.

The Board of Directors has issued a risk mandate for trading in fixed income and currency instruments. In 2017, MSEK 15 was allocated to trading, expressed as VaR. If the cumulative result for the year is negative, the mandate is reduced correspondingly. In 2017, trading income was MSEK 8 (7), which is reported as other operating income. The average utilised risk mandate (VaR) during the year was MSEK 0.5 (1).

Pension obligation

The Saab Pension Fund was established in 2006 to secure the main part of the Group's pension obligation. The fund has a long-term real yield requirement that corresponds annual financial cost of pension liability to PRI Pensionsgaranti. Investment guidelines indicate asset allocation as follows 0-40 per cent equities, 0-15 per cent alternative assets, 25-100 per cent interest-bearing products and 0-20 per cent real estate. Investments are made in interest-bearing securities from issuers with a credit rating of no lower than BBB according to Standard & Poor's and Baa according to Moody's. Of the fund's capital at year-end, 53 per cent (48) was invested in interest-bearing assets and property, of which 14 (13) per cent consist of property related investments, the remaining 47 per cent (52) in equities- and alternative investments. The market value of the fund's assets as of 31 December 2017 was MSEK 6,098 (5,579) and the annual return was 9 per cent (5). In 2017, the fund was capitalised by MSEK 0 (0) and MSEK 0 (0) in refunds was paid. The table below shows the solvency margin for the pension fund.

MSEK	31-12-2017	31-12-2016	31-12-2015	31-12-2014
Fair value of assets under management	6,098	5,579	5,316	5,091
Present value of defined-benefit obligations ¹⁾	8,554	7,811	7,006	7,416
Solvency margin	71%	71%	76%	69%
Pension obligation according to PRI	5,522	5,369	5,237	5,106
Solvency margin	110%	104%	102%	100%

¹⁾ Refers to the pension obligation that the assets under management are designed to cover.

NOTE 39 ASSETS PLEDGED AND CONTINGENT LIABILITIES

ACCOUNTING PRINCIPLES

A contingent liability exists if there is a possible commitment stemming from events whose occurrence is dependent on one or more uncertain future events and there is a commitment that is not recognised as a liability or provision because it is unlikely that an outflow of resources will be required or the size of the obligation cannot be estimated with sufficient reliability. Information is provided as long as the likelihood of an outflow of resources is not extremely small.

MSEK	Group		Parent Company	
	31-12-2017	31-12-2016	31-12-2017	31-12-2016
Assets pledged for own liabilities and provisions				
Other assets	-	2	-	-
Total	-	2	-	-
Contingent liabilities				
Guarantees to insurance company, PRI Pensionsgaranti	111	107	111	107
Guarantees for Group companies' commitments to customers	-	-	4,285	4,123
Sureties for joint ventures	8	8	-	-
Sureties for associated companies	11	6	292	-
Total	130	121	4,688	4,230

In the ordinary course of business, Saab is occasionally involved in disputes and legal proceedings arising as a result of the company's operations worldwide. These disputes and legal proceedings are not expected, either individually or collectively, to have any significant negative effect on Saab's financial result or position.

The table below shows the total sum of guarantees that do not represent contingent liabilities and a distribution by category and issuer.

MSEK	31-12-2017	Per cent of total	31-12-2016	Per cent of total
Bank guarantees:				
On demand	18,714	99	18,093	99
Proprietary	168	1	266	1
Total bank guarantees	18,882	100	18,359	100
Type of guarantee:				
Advances	10,298	55	10,152	55
Completion	4,978	26	4,791	26
Tenders, credits and other	3,606	19	3,416	19
Total guarantees	18,882	100	18,359	100

In the ordinary course of business, Saab AB issue Parent Company guarantees to subsidiaries and joint ventures on a case by case basis. These guarantees may cover all or part of the relevant subsidiary's or joint venture's general obligations, or be a defined amounts for a specific purpose.

With regard to the Group's so-called fulfilment guarantees for commitments to customers, the likelihood of an outflow of resources is extremely small and, as a result, no value is recognised in the table of contingent liabilities.

NOTE 40 TRANSACTIONS WITH RELATED PARTIES

The Group's financial agreements conform to market principles. Saab has not had any significant transactions with Investor, Board members or members of Group Management. For information on remuneration, see note 10.

Of the Parent Company's sales, 6 (6) per cent referred to sales to Group companies, while 20 (17) per cent of the Parent Company's purchases were from Group companies.

Sales to and purchases from the Group's associated companies and joint ventures amounted to approximately MSEK 114 (212) and MSEK 113 (85), respectively. For information on receivables from and liabilities to associated companies and joint ventures, see notes 26 and 36.

NOTE 41 GROUP COMPANIES

Significant Group company holdings

Group company	Group company's registered office, country	Ownership share, per cent	
		2017	2016
Combitech AB	Växjö, Sweden	100	100
Combitech Oy	Finland	100	100
Saab Australia Pty Ltd	Australia	100	100
Saab Barracuda AB	Västervik, Sweden	100	100
Saab Barracuda LLC	USA	100	100
Saab Czech s.r.o.	Czech Republic	100	100
Saab Defense and Security USA LLC	USA	100	100
Saab Dynamics AB	Karlskoga, Sweden	100	100
Saab Denmark A/S	Denmark	100	100
Saab Grintek Defence (Pty) Ltd	South Africa	75	75
Saab Kockums AB	Malmö, Sweden	100	100
Saab Medav Technologies GmbH	Germany	100	100
Saab Seaeeye Ltd	UK	100	100
SaabSensis Corporation	USA	100	100
Saab Technologies B.V.	The Netherlands	100	100

Total ownership of non-controlling interests amounted to MSEK 188 (145). No non-controlling interests are considered material.

MSEK	Parent Company	
	2017	2016
Accumulated acquisition value		
Opening balance, 1 January	18,501	18,413
New issues/shareholders' contributions	-	6
Acquisitions	250	87
Repaid shareholders' contributions	-5	-
Sales and liquidations	-28	-5
Closing balance, 31 December	18,718	18,501
Accumulated write-downs		
Opening balance, 1 January	-12,653	-11,596
Write-downs for the year	-13	-1,058
Sales and liquidations	13	1
Closing balance, 31 December	-12,653	-12,653
Carrying amount, 31 December	6,065	5,848

Write-down reversals and write-downs for the year are reported in the income statement on the line "Result from shares in Group companies".

Note 41, cont.

Specification of Parent Company's holdings of shares in Group companies

31-12-2017			
Group company/Corp. ID no./Registered office	No. of shares	Share, per cent	Carrying amount, MSEK
Celsius AB, 556194-4652, Linköping, Sweden	5,000	100	144
Celsius Invest AB, 556164-6588, Stockholm, Sweden	1,720,000	100	158
Combitech AB, 556218-6790, Växjö, Sweden	100,000	100	1,064
EMC Services Elmiljöteknik AB, 556315-6636, Mölndal, Sweden	2,000	100	3
Fastighets AB Linköping Malmen 27, 556354-6349, Linköping, Sweden	20,000	100	4
Fastighets AB Stensholm-Huskvarna, 556030-2746, Jönköping, Sweden	150,000	100	42
Fastighets AB Tannefors 1:114, 559043-3206, Linköping, Sweden	500	100	6
FFV Ordnance AB, 556414-8194, Karlskoga, Sweden	100,000	100	10
GKN Aerospace Applied Composites AB, 556326-2988, Linköping, Sweden	10,000	100	82
Lansen Försäkrings AB, 516401-8656, Linköping, Sweden	500,000	100	51
Muskövarvet AB, 556675-3496, Haninge, Sweden	1,002	100	60
N. Sundin Dockstavarvet AB, 556193-6138, Kramfors, Sweden	5,100	100	90
Nordic Defence Industries A/S, Denmark	-	100	22
Saab Aircraft Leasing Holdings AB, 556124-3170, Linköping, Sweden	30,000	100	4
Saab Airport AB, 556366-8333, Linköping, Sweden	5,000	100	3
Saab Asia Pacific Co. Ltd, Thailand	-	100	12
Saab Barracuda AB, 556045-7391, Västervik, Sweden	200,000	100	93
Saab Canada Inc., Canada	-	100	1
Saab Czech s.r.o., Czech Republic	-	100	25
Saab Danmark A/S, Denmark	-	100	103
Saab Digital Air Traffic Solutions AB, 559060-0747, Linköping, Sweden	295	59	35
Saab Dynamics AB, 556264-6074, Karlskoga, Sweden	500,000	100	357
Saab France S.A.S, France	-	100	-
Saab India Technologies Private Limited, India	-	100	-
Saab International AB, 556267-8994, Stockholm, Sweden	50,000	100	14
Saab Kenya Ltd, Kenya	-	100	-
Saab Kockums AB, 556205-5623, Malmö, Sweden	500,000	100	340
Saab Medav Technologies GmbH, Germany	-	100	203
Saab Microwave Systems AB, 556028-1627, Mölndal, Sweden	300,000	100	49
Saab North America, Inc., USA	-	100	2,043
Saab Seaeye Holdings Ltd, UK	-	100	194
Saab South Africa (Pty) Ltd, South Africa	-	100	443
Saab Support & Services Thailand AB, 559025-4016, Linköping, Sweden	500	100	-
Saab Surveillance Systems AB, 556577-4600, Järfälla, Sweden	1,000	100	-
Saab Technologies B.V., The Netherlands	-	100	295
Saab Technologies BVBA, Belgium	-	100	29
Saab Technologies Ltd., Canada	-	100	18
Saab Technologies s.r.o., Czech Republic	-	100	-
Saab Technologies Norway AS, Norway	-	100	3
Saab Technologies UK Limited, UK	-	100	-
Saab Training Systems GmbH, Germany	-	100	3
Saab Transpondertech AB, 556535-9790, Linköping, Sweden	1,000	100	-
Saab Ventures AB, 556757-5211, Linköping, Sweden	1,000	100	-
Dormant companies etc.	-	-	62
Carrying amount at year-end			6,065

NOTE 42 UNTAXED RESERVES

MSEK	Parent Company	
	2017	2016
Tax allocation reserve:		
Opening balance, 1 January	1,850	1,760
Provision for the year	309	90
Reversal for the year	-350	-
Closing balance, 31 December	1,809	1,850
Accumulated accelerated/under depreciation		
Buildings and land:		
Opening balance, 1 January	-2	-4
Accelerated/under depreciation for the year	-	2
Closing balance, 31 December	-2	-2
Machinery and equipment:		
Opening balance, 1 January	432	383
Accelerated depreciation for the year	52	49
Closing balance, 31 December	484	432
Total untaxed reserves, 31 December	2,291	2,280

NOTE 43 STATEMENT OF CASH FLOWS, SUPPLEMENTAL INFORMATION

The Group's free cash flow, and a reconciliation between free cash flow and cash flow for the year from the statement of cash flows, are stated below.

Free cash flow

MSEK	Group	
	2017	2016
Cash flow from operating activities before changes in working capital, excluding taxes and other financial items	3,593	2,927
Cash flow from changes in working capital:		
Amounts due from and to customers	-475	5,092
Inventories	-994	-1,329
Other current receivables	795	-2,540
Other current liabilities	704	521
Provisions	-103	-323
Change in working capital	-73	1,421
Cash flow from operating activities, excluding taxes and other financial items	3,520	4,348
Investing activities:		
Investments in intangible fixed assets	-1,064	-882
Investments in tangible fixed assets	-1,093	-807
Sales and disposals of tangible fixed assets	25	27
Investments in financial fixed assets	-	-83
Cash flow from investing activities¹⁾	-2,132	-1,745
Operational cash flow	1,388	2,603
Taxes and other financial items	-356	-194
Sale of and investments in financial assets	-10	-78
Investments in operations	-170	-49
Sale of subsidiaries	-	77
Free cash flow	852	2,359

¹⁾ Cash flow from investing activities excluding change in short-term investments and other interest-bearing financial assets and excluding sale of and investment in financial assets, investments in operations and sale of subsidiaries. If investments in and sale of financial fixed assets are considered to be of operating nature, the item is included in investing activities.

FREE CASH FLOW VERSUS CASH FLOW FOR THE YEAR IN STATEMENT OF CASH FLOWS

MSEK	2017	2016
Free cash flow	852	2,359
Investing activities – interest-bearing:		
Short-term investments	63	-1,525
Other financial investments and receivables	84	17
Financing activities:		
Repayment of loans	-1,301	-582
Raising of loans	1,700	732
Dividend paid to the Parent Company's shareholders	-559	-530
Dividend paid to non-controlling interest	-4	-5
Transactions with non-controlling interest	-	15
Cash flow for the year	835	481

SUPPLEMENTAL INFORMATION ON STATEMENT OF CASH FLOWS

Liquid assets

MSEK	Group	
	31-12-2017	31-12-2016
The following components are included in liquid assets:		
Cash and bank balances	1,463	1,102
Bank deposits	739	300
Total according to the statement of financial position	2,202	1,402
Total according to statement of cash flows	2,202	1,402

MSEK	Parent Company	
	31-12-2017	31-12-2016
The following components are included in liquid assets:		
Cash and bank balances	442	351
Bank deposits	739	300
Total according to balance sheet	1,181	651
Total according to statement of cash flows	1,181	651

Interest paid and dividends received

MSEK	Group		Parent Company	
	2017	2016	2017	2016
Dividends received	26	16	1,090	98
Interest received	40	28	141	115
Interest paid	-145	-111	-159	-126
Total	-79	-67	1,072	87

Adjustments for items not affecting cash flow

MSEK	Group		Parent Company	
	2017	2016	2017	2016
Depreciation and amortisation	839	946	491	631
Capital gains/losses from sales of Group companies, associated companies and other shares	-	-49	-	-57
Provisions	378	190	283	166
Write-downs	-	-	13	1,058
Share of profits in associated companies and joint ventures	39	38	-	-
Dividends and Group contributions from/to Group companies	-	-	-78	-1,131
Other	223	101	121	95
Total	1,479	1,226	830	762

Reconciliation of cash flows arising from liabilities in financing activities

Interest-bearing liabilities, MSEK	31-12-2016	Cash flows ¹⁾	Non-cash changes		31-12-2017
			Acquisitions	Foreign exchange movement	
Liabilities to credit institutions	5,107	662	–	29	5,798
Liabilities to associated companies and joint ventures	239	–195	1	–	45
Other interest-bearing liabilities	570	–68	34	–52	484
Total interest-bearing liabilities	5,916	399	35	–23	6,327

¹⁾ These amounts refer to cash flows arising from liabilities in Financing activities in the Consolidated statement of cash flows.

Investments in operations

MSEK	Group	
	2017	2016
Acquired assets and liabilities		
Intangible fixed assets	94	64
Tangible fixed assets	57	2
Deferred tax assets	–	3
Inventories	70	3
Current receivables	86	18
Liquid assets	42	6
Total assets	349	96
Long-term liabilities	24	–
Provisions	5	1
Deferred tax liability	11	8
Interest-bearing liabilities	10	–
Current liabilities	67	24
Total liabilities	117	33
Purchase price paid	212	55
Less: Liquid assets in acquired operations	–42	–6
Effect on the Group's liquid assets (positive (-) / negative (+))	170	49

Acquisitions in 2017 relate to Applied Composites AB, N. Sundin Dockstavarvet AB and Muskövarvet AB. Acquisitions in 2016 relate to Phaeros Group BVBA, Nordic Defence Industries A/S, and Watchcom Security Group AS.

Sale of subsidiaries

MSEK	Group	
	2017	2016
Divested assets and liabilities		
Tangible fixed assets	–	16
Liquid assets	–	1
Total assets	–	17
Provisions	–	17
Deferred tax liability	–	3
Current liabilities	–	2
Total liabilities	–	22
Sales price	–	78
Purchase price received	–	78
Less: Liquid assets in divested operations	–	–1
Effect on the Group's liquid assets	–	77

No divestments were made in 2017. Divestments in 2016 relate to property companies.

NOTE 44 INFORMATION ON PARENT COMPANY

Saab AB (publ) is a limited company registered in Sweden, with its registered office in Linköping. The Parent Company's B shares are registered on the Nasdaq Stockholm. The address of the head office is Saab AB, Box 12062, SE-102 22 Stockholm, Sweden, as of 28 March 2018, the address of the head office is Olof Palmes gata 17, 5th floor, SE-111 22 Stockholm, Sweden.

The consolidated accounts for 2017 comprise the Parent Company and its Group companies, together referred to as the Group. The Group also includes the holdings in associated companies and joint ventures.

Saab AB also operates a small business in a South Korean branch.

NOTE 45 ENVIRONMENTAL REPORT

Operations subject to licensing in the Parent Company

Production of aircraft and aircraft components by the Parent Company, Saab AB, in the Tannefors industrial zone in the municipality of Linköping is subject to licensing pursuant to the Swedish Environment Code due to aeronautics operations, surface treatment processes, manufacturing of composite materials, handling of chemical substances, the firing of large calibre weapons and the size of the manufacturing facilities. The environmental impact of these operations primarily arises from emissions of volatile organic compounds (VOCs) and aircraft emissions into the atmosphere, emissions of metals into waterways, the generation of industrial wastes and noise disturbing local surroundings. The manufacturing operations predominantly entail operations subject to licensing. The National Licensing Board for Environmental Protection granted the licence for aircraft manufacture in 1990. The supervisory authorities and the Land and Environment Court imposed additional terms for these operations in 2006 and 2007, respectively, against the backdrop of the EU's IPPC directive. A process regarding a new environmental permit for the operations in the Tannefors industrial zone in the municipality of Linköping is underway.

In Järfälla, Saab AB has operations involving the manufacture of advanced command and control systems, among other things, which are also subject to licensing under the Environment Code. The licensing requirement is due to surface treatment processes and the size of the manufacturing facilities. The environmental impact of these operations primarily arises from metals into waterways. The National Licensing Board for Environmental Protection granted the licence in 1990.

In 2017 Saab AB acquired the company Applied Composites AB which are subject to licensed operations due to its use of epoxy and polyester resin. The operations are located in Malmslätt in the municipality of Linköping and manufacture composite material which generates dust emissions and emissions of solvents. The permit was granted by the County Boards in the county of Östergötland in 1995.

With the exception of a few exceeded recommended values, Saab AB did not exceed any conditions in its permits or violate any injunctions in 2017.

Operations subject to licensing in subsidiaries

The operations carried on by Saab Airport AB are subject to licensing under the Environment Code and are covered by the permit issued by the National Licensing Board for Environmental Protection in 1990 for Saab's collective operations in the Tannefors industrial zone in the municipality of Linköping. This permit also covers the operations of Saab Dynamics AB in the area, despite the fact that they are not subject to licensing and notification requirements under the Environment Code. These operations are included in the application for a new permit mentioned above regarding operations in the Tannefors industrial zone.

Saab Dynamics AB and Saab Bofors Test Center AB run operations in Karlskoga that are subject to licensing under the Environment Code and Saab Barracuda AB runs operations subject to licensing in Gamleby. A process regarding a new environmental license for the operations in Saab Dynamics AB is underway. Saab Bofors Test Center AB also runs operations subject to licensing in the municipalities of Degerfors, Lindesberg, and Härjedalen.

In addition, Saab Kockums AB runs operations subject to licensing in Karlskrona and on Muskö island, south of Stockholm.

The environmental impact from subsidiaries subject to licensing primarily consists of emissions of VOCs from workshops and emissions from aircraft into the atmosphere, emissions of metals and de-icing solvents into waterways, generation of industrial wastes, storing and transfer of explosive goods, and noise disturbing local surroundings.

With the exception of a few exceeded recommended values, Saab's subsidiaries did not exceed any conditions in its permits or violate any injunctions in 2017.

Operations subject to notification requirements

Saab AB has operations in Arboga, Docksta, Huskvarna, Jönköping, Ljungbyhed, Linköping (Malmslätt), Muskö, Nyköping and Östersund, which are subject to notification requirements pursuant to the Environment Code. Permits in Arboga and Linköping (Malmslätt) still apply. These were granted by the county boards in 1993 and 1994, respectively. The Group also has operations subject to notification requirements in the subsidiary Saab Dynamics AB in Motala. The permit in Motala still applies. The environmental impact of these operations is very limited.

NOT 46 NEW ACCOUNTING PRINCIPLES 2018

NEW ACCOUNTING PRINCIPLES

IFRS 15 Revenue from Contracts with Customers, issued by IASB, applies as of 2018 to the recognition of revenue. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts. IFRS 15 provides a revenue model that uses as its starting point a contract on the sale of a good or service between two parties. The company then recognises the revenue when it satisfies its obligation to deliver the promised goods or services to the customer, which means that the revenue is recognised when the customer obtains control over the good or service and has the ability to use or obtain the benefits from the good or the service. The main principles of revenue recognition are based on a five-step model:

1. Identify the contract
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to each obligation
5. Recognise revenue when the obligation is satisfied.

A large part of the Group's operations involves long-term customer contracts for development and manufacture of complex systems that stretch over several reporting periods. The analysis of these contracts according to the five-step model has mainly entailed deciding whether one or more performance obligations exist (step 2), and when it or they are satisfied (step 5). Since Saab's long-term customer contracts often involve a considerable amount of customisation of goods and/or integration of the good with other goods and services, it usually means that a performance obligation has been identified. If additional performance obligations are identified beyond development and manufacturing, e.g. support, the revenue is recognised according to the current standard.

A performance obligation is satisfied according to the standard at a point in time or over time. If a performance obligation is satisfied over time, one of the following criteria must be met: a) the customer must obtain immediate benefits when the obligation is satisfied, b) the company's performance creates or improves an asset that the customer controls, or c) the company's performance does not create an asset with an alternative use for the company and the company has the right to payment for costs incurred to date, including profit. Since Saab's long-term customer contracts contain considerable customisation and integration of goods and services, and because the cost to adapt the asset and sell it to a new customer would not be insignificant, the conclusion is that the asset is not deemed to have an alternative use. Since the contracts also contain clauses that cover the right to payment plus a reasonable profit for costs incurred, it means that the criteria for recognising long-term customer contracts over time are satisfied. Consequently, revenue and costs are recognised in the income statement as before in relation to the contract's stage of completion.

The stage of completion is based on a determination of the relationship between costs incurred for services rendered as of the closing day and estimated total costs to satisfy the obligation in accordance with the contract. Of the estimated total revenue, a percentage corresponding to the stage of completion is

recognised in each period. The stage of completion can also be determined in some cases based on when various targets such as milestones or deliveries are met. An expected loss is recognised in the income statement as soon as it has been identified.

For Saab's service assignments, which include the sale of consulting hours and support services, at a fixed price or on current account, the customer normally obtains the benefits when the obligation is satisfied. Revenue is recognised over time as the assignment is performed according to the contract.

A percentage of Saab's revenue is attributable to products where development, customisation and integration are insignificant, i.e. for the most part only the manufacture of products, as well as the resale of spare parts, for example. Revenue from these contracts is recognised at a point in time, i.e. normally when control of the good has transferred to the customer in accordance with the terms of the contract.

As of 2018, IFRS 9 addresses the classification, measurement and recognition of financial assets and liabilities and introduces new rules on hedge accounting and impairment of financial receivables, replacing the large part of the guidance in IAS 39.

The Group's financial assets are classified in accordance with IFRS 9 in three categories: amortised cost, fair value through other comprehensive income and fair value through profit or loss, depending on whether they are financial receivables, derivatives or equity instruments and in accordance with what is described below.

Measurement of the Group's financial receivables is based on the company's choice of business model for management of financial assets. Short-term investments are held mainly for trading to invest surplus liquidity, and sales are made frequently to manage liquidity needs and maximise the return. Monitoring and measurement are done continuously at fair value through profit or loss. Assets held to collect contractual cash flows, which consist of principal and interest from operating activities such as liquid assets, accounts receivable, loans receivable, other receivables and contractual assets in accordance with IFRS 15 are measured at amortised cost. Impairment of financial receivables such as accounts receivable, contractual assets and loans receivable from associated companies and joint ventures will be calculated based on expected credit losses for the entire expected maturity instead of when there is objective information indicating that the Group will not receive full payment as in the previous standards.

Derivatives are measured at fair value through profit or loss, except when hedge accounting for cash flow hedges is applied, in which case the portion determined to be an effective hedge is recognised in other comprehensive income. Saab's method for applying hedge accounting is unchanged after the transition to IFRS 9's rules on hedge accounting.

Equity instruments such as shares and participations are measured continuously at fair value with changes in value recognised through profit or loss. Except for the change in the principle for impairment, the transition to IFRS 9 does not change the valuation of financial assets and liabilities.

For more information, see note 2.

Shown below are the effects in 2017 of the application of IFRS 15. The opening balance in 2018 has been restated in accordance with IFRS 9 and IFRS 15.

YEAR-END 2017 AND OPENING BALANCE 2018

Statement of financial position, MSEK	31-12-2017 Actual	Adjustment IFRS 15	31-12-2017 Restated	Adjustment IFRS 9	01-01-2018 Restated
ASSETS					
Fixed assets	14,459	-	14,459	-	14,459
Long-term receivables on associated companies and joint ventures	454	-	454	-5	449
Deferred tax assets	211	27	238	1	239
Total fixed assets	15,124	27	15,151	-4	15,147
Inventories	7,743	504	8,247	-	8,247
Amounts due from customers --> Contract assets	7,917	83	8,000	-	8,000
Accounts receivable, derivatives and other short-term receivables	6,029	-	6,029	-	6,029
Prepaid expenses and accrued income	1,193	-293	900	-	900
Liquid assets and short-term investments	6,671	-	6,671	-	6,671
Total current assets	29,553	294	29,847	-	29,847
TOTAL ASSETS	44,677	321	44,998	-4	44,994
EQUITY AND LIABILITIES					
Equity:					
Parent Company's shareholders' interest	14,189	-92	14,097	-4	14,093
Non-controlling interest	188	-	188	-	188
Total equity	14,377	-92	14,285	-4	14,281
Liabilities					
Long-term liabilities	11,167	-	11,167	-	11,167
Amounts due to customers --> Contract liabilities	9,094	418	9,512	-	9,512
Other short-term liabilities and provisions	10,039	-5	10,034	-	10,034
Total liabilities	30,300	413	30,713	-	30,713
TOTAL EQUITY AND LIABILITIES	44,677	321	44,998	-4	44,994

YEAR-END 2017

Income statement , MSEK	Jan-Dec Actual	Adjustment IFRS 15	Jan-Dec Restated
Sales	31,394	272	31,666
Cost of goods sold	-23,946	-177	-24,123
Gross income	7,448	95	7,543
Gross margin, %	23.7		23.8
Operating expenses	-5,293	-	-5,293
Operating income	2,155	95	2,250
Operating margin, %	6.9		7.1
Net financial items	-151	-	-151
Income before taxes	2,004	95	2,099
Taxes	-566	-25	-591
Net income for the period	1,438	70	1,508
Attributable to:			
Parent Company's shareholders' interest	1,407	70	1,477
non-controlling interest	31	-	31
Earnings per share before dilution, SEK	13.20	0.66	13.86
Earnings per share after dilution, SEK	13.10	0.65	13.75

END OF THIRD QUARTER

Statement of financial position, MSEK	30-09-2017 Actual	Adjustment IFRS 15	30-09-2017 Restated
ASSETS			
Fixed assets	14,276	-	14,276
Deferred tax assets	302	56	358
Total fixed assets	14,578	56	14,634
Inventories	7,891	689	8,580
Amounts due from customers → Contract assets	7,610	-169	7,441
Accounts receivable, derivatives and other short-term receivables	5,361	-	5,361
Prepaid expenses and accrued income	1,172	-300	872
Liquid assets and short-term investments	4,794	-	4,794
Total current assets	26,828	220	27,048
TOTAL ASSETS	41,406	276	41,682
EQUITY AND LIABILITIES			
Equity:			
Parent Company's shareholders' interest	13,763	-175	13,588
Non-controlling interest	172	-	172
Total equity	13,935	-175	13,760
Liabilities			
Long-term liabilities	10,570	-	10,570
Amounts due to customers → Contract liabilities	7,733	457	8,190
Other short-term liabilities and provisions	9,168	-6	9,162
Total liabilities	27,471	451	27,922
TOTAL EQUITY AND LIABILITIES	41,406	276	41,682

END OF THIRD QUARTER

Income statement , MSEK	Jan-Sep Actual	Adjustment IFRS 15	Jan-Sep Restated
Sales	21,575	-59	21,516
Cost of goods sold	-16,532	41	-16,491
Gross income	5,043	-18	5,025
Gross margin, %	23.4		23.4
Operating expenses	-3,770	-	-3,770
Operating income	1,273	-18	1,255
Operating margin, %	5.9		5.8
Net financial items	-45	-	-45
Income before taxes	1,228	-18	1,210
Taxes	-309	4	-305
Net income for the period	919	-14	905
Attributable to:			
Parent Company's shareholders' interest	890	-14	876
non-controlling interest	29	-	29
Earnings per share before dilution, SEK	8.35	-0.13	8.22
Earnings per share after dilution, SEK	8.29	-0.13	8.16

END OF SECOND QUARTER

Statement of financial position, MSEK	30-06-2017 Actual	Adjustment IFRS 15	30-06-2017 Restated
ASSETS			
Fixed assets	14,137	-	14,137
Deferred tax assets	156	52	208
Total fixed assets	14,293	52	14,345
Inventories	7,478	623	8,101
Amounts due from customers → Contract assets	7,414	-106	7,308
Accounts receivable, derivatives and other short-term receivables	5,508	-	5,508
Prepaid expenses and accrued income	1,250	-303	947
Liquid assets and short-term investments	4,603	-	4,603
Total current assets	26,253	214	26,467
TOTAL ASSETS	40,546	266	40,812
EQUITY AND LIABILITIES			
Equity:			
Parent Company's shareholders' interest	13,184	-162	13,022
Non-controlling interest	168	-	168
Total equity	13,352	-162	13,190
Liabilities			
Long-term liabilities	10,104	-	10,104
Amounts due to customers → Contract liabilities	6,993	429	7,422
Other short-term liabilities and provisions	10,097	-1	10,096
Total liabilities	27,194	428	27,622
TOTAL EQUITY AND LIABILITIES	40,546	266	40,812

END OF SECOND QUARTER

Income statement , MSEK	Jan-Jun Actual	Adjustment IFRS 15	Jan-Jun Restated
Sales	15,353	5	15,358
Cost of goods sold	-11,885	-4	-11,889
Gross income	3,468	1	3,469
Gross margin, %	22.6		22.6
Operating expenses	-2,583	-	-2,583
Operating income	885	1	886
Operating margin, %	5.8		5.8
Net financial items	-9		-9
Income before taxes	876	1	877
Taxes	-217	-	-217
Net income for the period	659	1	660
Attributable to:			
Parent Company's shareholders' interest	642	1	643
non-controlling interest	17	-	17
Earnings per share before dilution, SEK	6.03	0.01	6.04
Earnings per share after dilution, SEK	5.98	0.01	5.99

END OF FIRST QUARTER

Statement of financial position, MSEK	31-03-2017 Actual	Adjustment IFRS 15	31-03-2017 Restated
ASSETS			
Fixed assets	13,963	-	13,963
Deferred tax assets	180	43	223
Total fixed assets	14,143	43	14,186
Inventories	7,152	487	7,639
Amounts due from customers → Contract assets	6,518	-12	6,506
Accounts receivable, derivatives and other short-term receivables	5,826	-	5,826
Prepaid expenses and accrued income	1,157	-259	898
Liquid assets and short-term investments	6,826	-	6,826
Total current assets	27,479	216	27,695
TOTAL ASSETS	41,622	259	41,881
EQUITY AND LIABILITIES			
Equity:			
Parent Company's shareholders' interest	13,689	-127	13,562
Non-controlling interest	166	-	166
Total equity	13,855	-127	13,728
Liabilities			
Long-term liabilities	9,681	-	9,681
Amounts due to customers → Contract liabilities	8,063	387	8,450
Other short-term liabilities and provisions	10,023	-1	10,022
Total liabilities	27,767	386	28,153
TOTAL EQUITY AND LIABILITIES	41,622	259	41,881

END OF FIRST QUARTER

Income statement , MSEK	Jan-Mar Actual	Adjustment IFRS 15	Jan-Mar Restated
Sales	7,430	156	7,586
Cost of goods sold	-5,694	-109	-5,803
Gross income	1,736	47	1,783
Gross margin, %	23.4		23.5
Operating expenses	-1,244	-	-1,244
Operating income	492	47	539
Operating margin, %	6.6		7.1
Net financial items	-17	-	-17
Income before taxes	475	47	522
Taxes	-115	-11	-126
Net income for the period	360	36	396
Attributable to:			
Parent Company's shareholders' interest	354	36	390
non-controlling interest	6	-	6
Earnings per share before dilution, SEK	3.33	0.33	3.66
Earnings per share after dilution, SEK	3.30	0.33	3.63

OPENING BALANCE 2017

Statement of financial position, MSEK	01-01-2017 Actual	Adjustment IFRS 15	01-01-2017 Restated
ASSETS			
Fixed assets	13,687	-	13,687
Deferred tax assets	252	53	305
Total fixed assets	13,939	53	13,992
Inventories	6,660	526	7,186
Amounts due from customers → Contract assets	6,222	-227	5,995
Accounts receivable, derivatives and other short-term receivables	7,411	-	7,411
Prepaid expenses and accrued income	1,035	-163	872
Liquid assets and short-term investments	5,944	-	5,944
Total current assets	27,272	136	27,408
TOTAL ASSETS	41,211	189	41,400
EQUITY AND LIABILITIES			
Equity:			
Parent Company's shareholders' interest	13,156	-164	12,992
Non-controlling interest	145	-	145
Total equity	13,301	-164	13,137
Liabilities			
Long-term liabilities	9,736	-	9,736
Amounts due to customers → Contract liabilities	7,884	355	8,239
Other short-term liabilities and provisions	10,290	-2	10,288
Total liabilities	27,910	353	28,263
TOTAL EQUITY AND LIABILITIES	41,211	189	41,400

NOTE 47 EXCHANGE RATES USED IN FINANCIAL STATEMENTS

Land	Year-end rate			Average rate		
		2017	2016	2017	2016	
Australia	AUD	1	6.42	6.57	6.54	6.37
Brazil	BRL	1	2.49	2.80	2.68	2.48
Denmark	DKK	100	132.29	128.69	129.49	127.20
Euro	EUR	1	9.85	9.57	9.63	9.47
India	INR	100	12.86	13.40	13.13	12.74
Canada	CAD	1	6.56	6.74	6.58	6.46
Norway	NOK	100	100.11	105.40	103.30	101.99
Switzerland	CHF	1	8.43	8.91	8.67	8.69
UK	GBP	1	11.10	11.18	10.99	11.57
South Africa	ZAR	100	66.96	66.75	64.14	58.55
Czech Republic	CZK	100	38.49	35.40	36.61	35.03
USA	USD	1	8.23	9.10	8.54	8.56

NOTE 48 DEFINITIONS OF KEY RATIOS

Below are definitions of financial key ratios that are used in the report. For more information and explanations regarding the usage of these key ratios, please see saabgroup.com, investor, financial data, key ratios.

Capital employed Total assets less non-interest-bearing liabilities.

Capital turnover Sales divided by average capital employed.

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

EBITDA Operating income before depreciation/amortisation and write-downs.

EBITDA margin Operating income before depreciation/amortisation and write-downs as a percentage of sales.

Effective tax rate Current and deferred taxes as a percentage of income before tax.

Equity/assets ratio Equity in relation to total assets.

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 year.

Free cash flow Cash flow from operating activities and from investing activities, excluding acquisitions and divestments of short-term investments and other interest-bearing financial assets.

Free cash flow per share Free cash flow divided by the average number of shares after dilution.

Gross margin Gross income as a percentage of sales.

Interest coverage ratio Operating income plus financial income divided by financial expenses.

Net investments Acquisitions and divestments of intangible and tangible fixed assets.

Net liquidity/net debt Liquid assets, short-term investments and interest-bearing receivables less interest-bearing liabilities and provisions for pensions excluding provisions for pensions attributable to special employers' contribution.

Non-recurring items Non-recurring items of profit with a significant impact on the results and which are important for understanding the underlying business development.

Operating margin Operating income (EBIT) as a percentage of sales.

Operational cash flow Cash flow from operating activities, excluding taxes and other financial items, and acquisitions and divestments of intangible fixed assets and tangible fixed assets.

Order backlog Total value of orders at the end of the year.

Order bookings Total value of orders received during the year.

Organic sales growth Change in sales in percentage adjusted for effects from exchange rate due to the translation of foreign subsidiaries, and structural changes such as acquisitions and divestments of subsidiaries.

Profit margin Operating income plus financial income as a percentage of sales.

Return on capital employed Operating income plus financial income as a percentage of average capital employed.

Return on equity Net income for the year as a percentage of average equity.

Dividend motivation

The Board of Directors' statement according to chapter 18, § 4 of the Companies Act with regard to the proposed dividend – Saab AB

Saab is one of the world's leading high-technology companies, because of which its operations are distinguished by complex development assignments on the cutting edge of technology. Over the years, Saab has conducted significant development projects and managed the associated risks with great success. See also risks and uncertainties in the annual report.

The Board of Directors' proposed dividend amounts to SEK 5.50 per share, corresponding to a total dividend of MSEK 588. Unrestricted equity amounts to MSEK 4,879 in Saab AB and profit carried forward in the Group before the dividend is paid amounts to MSEK 11,923.

Net income for the year attributable to the Parent Company's shareholders amounted to MSEK 1,407 for the Group and MSEK 649 for the Parent Company.

After paying the dividend to the shareholders, the Group's equity/assets ratio amounts to 31.3 per cent, compared to the target of 30 per cent. Since the IPO in 1998, the equity/assets ratio has risen from 22 per cent to 32.2 per cent in 2017.

Saab's gross capital expenditure in 2017 amounted to MSEK 1,093, which is considered a good estimation of annual future investments

in tangible fixed assets. Investments are also made in research and development, which in 2017 amounted to MSEK 2,059, of which MSEK 871 was capitalised in the balance sheet.

At year-end, Saab had a net debt, which includes liquid assets, short-term investments and interest-bearing receivables less interest-bearing liabilities, including provisions for pensions, amounting to MSEK 1,834. Saab's ability to carry out its commitments is not expected to be affected by the proposed dividend either on a short or a long-term basis.

The proposed dividend is considered justifiable with regard to what is stated in chapter 17, § 3, paragraphs two and three of the Companies Act (2005:551):

1. the demands that the company's nature, scope and risks place on the size of its equity, and
2. the company's consolidation needs, liquidity or financial position in other respects.

The Board of Directors Saab AB

Proposed disposition of earnings 2017

The Board of Directors and the President propose that the unappropriated earnings in the Parent Company at disposal of the Annual General Meeting, amounting to:

SEK	
Retained earnings	4,233,780,224
Net comprehensive income for the year	645,290,131
Total	4,879,070,355
be disposed as follows:	
To the shareholders, a dividend of SEK 5.50 per share	587,530,801
Funds to be carried forward	4,291,539,554
Total	4,879,070,355

After the proposed disposition, equity in the Parent Company will be as follows:

SEK	
Capital stock	1,746,405,504
Statutory reserve	542,471,135
Revaluation reserve	675,427,730
Retained earnings	4,291,539,554
Total	7,255,843,923

The company's policy is to issue a dividend of 20–40 per cent of net income over a business cycle. The Board of Directors and the President propose that MSEK 588 (559), or SEK 5.50 per share (5.25) be issued as a dividend. This has been calculated based on the amount of outstanding shares on 31 December 2017, of 106,823,782. Saab's equity/assets ratio is currently 32.2 per cent (32.3) and after the proposed disposition of earnings will be 31.3 per cent (31.3)

The undersigned certify that the consolidated accounts and the annual report have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted for use in the European Union, and generally accepted accounting principles, and give a true and fair view of the financial positions and results of the Group and the Parent Company, and that the management report gives a fair review of the development of the operations, financial positions and results of the Group and the Parent Company and describes substantial risks and uncertainties that the Group companies faces.

Linköping 22 February 2018

Marcus Wallenberg
Chairman

Sten Jakobsson
Deputy Chairman

Danica Kragic Jensfelt
Board member

Sara Mazur
Board member

Daniel Nodhäll
Board member

Bert Nordberg
Board member

Cecilia Stegö Chilò
Board member

Erika Söderberg Johnson
Board member

Joakim Westh
Board member

Stefan Andersson
Board member

Göran Gustavsson
Board member

Nils Lindskog
Board member

Håkan Buskhe
President and Chief Executive Officer (CEO) and board member

Our audit report was submitted on 2 March 2018
PricewaterhouseCoopers AB

Bo Hjalmarsson
*Authorised Public Accountant
Auditor in charge*

Auditor's report

To the general meeting of the shareholders of Saab AB (publ), corporate identity number 556036-0793.

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Saab AB (publ) for the year 2017 except for the corporate governance statement on pages 58 to 67. The annual accounts and consolidated accounts of the company are included on pages 45 to 129 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 58 to 67. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the income statement and statement of financial position for the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

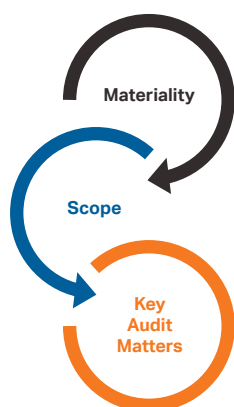
Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Overview



- We have used an overall materiality of SEK 100 million in our audit representing approximately five percent of operating profit.
- In our audit we have focused on the operations in the parent company Saab AB and the subsidiaries Saab Dynamics AB and Saab Kockums AB. In addition units in Australia, South Africa, USA and the Netherlands has been subject to review procedures.
- A significant part of Saab's reported revenue derive from long term contracts where management's estimates and assumptions are critical for recognition of revenue as well as cost of goods sold. In addition to the income items, several balance sheet items are affected by the assumptions and judgments made related to the long term contracts. A significant part of our audit is focused on the review of large projects. From 2018 Saab will recognize revenue according to IFRS 15, revenue from contracts with customers. For Saab it is, as stated in note 46, essential to assess that the criteria for recognizing revenue over time are fulfilled. We have thus during the year reviewed Saab's project for implementation of IFRS 15.

A significant part of Saab's revenue and result is derived from long term customer contracts including substantial development and customization for specific customers, which are associated with technical and commercial risks. Revenue and income is in many projects recognised using percentage of completion, which as such are based on management's estimates and measurement of percentage

of completion, estimated profit margin as well as total costs and risks.

This requires a high level of project control and monitoring to be able to, at any given time confirm the assumptions and estimates for project cost and revenue to give a satisfying base for recognizing revenue and income. In many cases the customer contracts have a significant element of integration

with the customer and sub-contractors why the financial outcome is not only dependent on Saab's own activities but other parties as well.

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls and the specific circumstances in larger customer projects.

A significant part of the Saab Group's operation is carried out in the parent company Saab AB. In addition substantial parts of the operation is carried out in the subsidiaries Saab Dynamics AB and Saab Kockums AB in Sweden. These units are included in the audit of the group. Foreign operations of some importance for the financial reporting is carried out in Australia, South Africa, USA and the Netherlands.

In these entities our audit is focused on project oriented parts of the financial reporting.

Beside the audit of the consolidated accounts and the annual report we perform limited reviews of Saab's interim reports for the first, second and third quarter. These quarterly procedures help us to continuously understand changes in conditions, especially for long term contracts, affecting the financial reporting.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Group Materiality	SEK 100 million
How we determined it	Five percent of operating profit
Rational for the materiality benchmark applied	We chose operating profit as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose five percent which in auditing standards is a generally accepted benchmark.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual

accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. A considerable part of the operations in the Saab Group is carried out in the parent company, Saab AB. The key audit matters described below is applicable for both the group and the parent company.

Long term customer contracts

Revenue and income is in many projects recognised using percentage of completion, which as such are based on management's estimates and measurement of percentage of completion, estimated profit margin as well as total costs and risks. If a project is expected to be in a loss position, the loss is recognised as soon as it can be determined.

Percentage of completion and the income recognised can be based on cost incurred, milestones reached or units delivered.

The financial reporting risk in the financial reporting is that revenue and income recognised, not correctly reflect Saab's stage of completion in the long term customer contracts and that the risks in the contracts deviate from actual outcome, which can result in revenue being recognised at wrong margin. This in turn might lead to cut off errors in revenue and cost.

Accounting for long term customer contracts also, besides revenue and cost of goods sold, affect balance sheet items such as receivables from customers, inventory and provision for loss contracts.

In the annual report risk related to long term contracts are described on page 55 to 56 and in the notes to the financial statements (note 2 and 5) the accounting principles are described in more detail.

From 2018 Saab will recognise revenue according to IFRS 15, revenue from contracts with customers. For companies that recognize revenue based on percentage of completion, IFRS 15 requires more explicit criteria to be fulfilled when revenue is recognised over time. Since Saab currently recognising revenue according to percentage of completion it is essential to assess whether the criteria to recognise revenue over time are fulfilled.

Saab has over the last years carried out a project to implement IFRS 15. In the project important criteria for the implementation of IFRS 15. The project has been extensive and have included a significant number of contracts with customers.

As stated in note 46, the change of accounting policy will affect Saab's financial reporting.

Saab has implemented processes, methods and controls to account for and monitor the long term customer contracts from tender, through execution and completion. These processes include among other project organisation, documentation, financial reviews and reporting as well as guidance on application of the accounting principles. This is further described in the annual report on page 55 to 56.

In our audit we have evaluated the design of these processes, methods and controls and tested on a sample basis that they work as designed. In this testing we have focused on the following:

- Test of monitoring controls on business area, business unit of where applicable on product level.
- Test of transaction controls for accounting for cost incurred related to long term customer contracts for procurement to projects.
- Test that project reviews and documentation has been approved according to methods applied within Saab.

We have further selected a sample of long term customer contracts for substantive testing. Our sample is based on quantitative and qualitative factors where we have selected long term contracts that are material from contract value, revenue recognised or risk in residual cost to complete.

For the selected contracts we have in detail obtained an understanding for the project though, among other procedures, review of contract clauses, project plans, analysis of stage of completion and contract forecasts. Each quarter we review the projects together with the project leader, the project controller or similar. In these reviews we perform the following procedures focusing on whether significant risks are reasonably accounted for:

- We inspect management's assessment of the project execution and how this affect the financial reporting. This includes total contract value, level of completion, method for recognising stage of completion, cost incurred and estimated remaining cost.
- We reconcile management's assessment to underlying documentation and compare this with previous quarters.
- We reconcile financial information between reports and systems and recalculate calculations.

In these reviews we use our knowledge about Saab and how similar long term contracts have been treated to discuss and ask questions and challenge management's estimates and judgements. We also assess consistent application of accounting principles between contracts with similar circumstances. In this we also test items reported as work in progress. We test them from both quantitative and qualitative aspects and assess whether they are accounted for under Saab's accounting policies.

This year Gripen E Sweden, Gripen NG Brazil and Air born surveillance United Arab Emirates have been of specific interest in our audit:

For specific contracts we have from time to time observations related to both amounts and judgement that we report to management and the audit committee. The projects complexity and judgements involved mean that the amounts recognized by nature is affected by uncertainty where future outcome can deviate significantly from management's judgments.

As part of our audit of long term contracts during the year we have also considered the impact of the implementation of IFRS 15. We have followed Saab's project for assessing criteria according to IFRS 15. In our procedures we tested all large contracts and a sample of smaller contracts. We have also assessed the financial reporting impact caused by the change in accounting policy.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-44 and 136-140. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence

obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Saab AB (publ) for the year 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled

our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed

appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 58-67 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

PricewaterhouseCoopers AB, Stockholm, was appointed auditor of Saab AB (publ)'s by the general meeting of the shareholders on the 15 April 2015 and has been the company's auditor since the 7 April 2011.

Stockholm 2 March 2018

PricewaterhouseCoopers AB

Bo Hjalmarsson
Authorized public accountant

Information to shareholders

Annual General Meeting 2018

The Annual General Meeting will be held at 4:00 pm (CET) on Tuesday, 10 April 2018 at Saab's hangar, Åkerbovägen 10, Linköping, Sweden.

Notification

Shareholders must notify the company of their intention to participate in the meeting not later than Wednesday, 4 April 2018.

- By telephone +46 13 18 20 55
- By mail to: Saab Aktiebolag c/o Euroclear Sweden AB, Box 191, 101 23 Stockholm
- Online: www.saabgroup.com/arsstamma

Please indicate your name, personal ID number (Swedish citizens), address and telephone number. If you are attending by power of proxy, registration certificate or other authorisation, please submit your documentation well in advance of the meeting. The information you provide will be used only for the Annual General Meeting.

Shareholders or their proxies may be accompanied at the Annual General Meeting by a maximum of two people. They may only attend, however, if the shareholder has notified Saab AB as indicated above.

Right to participate

Only shareholders recorded in the share register maintained by Euroclear Sweden AB on Wednesday, 4 April 2018 are entitled to participate in the meeting. Shareholders registered in the names of nominees through the trust department of a bank or a brokerage firm must temporarily re-register their shares in their own names to participate in the meeting. To ensure that this re-registration is recorded in the share register by Wednesday, 4 April 2018, they must request re-registration with their nominees several business days in advance.

Dividend

The Board of Directors proposes a dividend of SEK 5.50 per share and 12 April 2018 as the record day for the dividend. With this record day, Euroclear Sweden AB is expected to distribute the dividend on 17 April 2018.

Distribution of the annual report

The annual report will be available on Saab's website, www.saabgroup.com, approximately three weeks prior to the Annual General Meeting on 10 April. A printed version of the annual report will be distributed to shareholders who request it. A printed version of the annual report can also be ordered by e-mail to servicecenter@servistik.se.





Multi-year overview

MSEK, unless otherwise indicated	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Order bookings	30,841	21,828	81,175	22,602	49,809	20,683	18,907	26,278	18,428	23,212
Order backlog 31 December	106,849	107,606	113,834	60,128	59,870	34,151	37,172	41,459	39,389	45,324
Sales	31,394	28,631	27,186	23,527	23,750	24,010	23,498	24,434	24,647	23,796
Foreign market sales, %	58	57	58	55	59	64	63	62	69	68
Defence sales, %	84	83	82	79	81	82	84	83	83	83
Operating income (EBIT)	2,155	1,797	1,900	1,659	1,345	2,050	2,941	975	1,374	166
Operating margin, %	6.9	6.3	7.0	7.1	5.7	8.5	12.5	4.0	5.6	0.7
Operating income before depreciation/ amortisation and write-downs (EBITDA)	2,994	2,743	2,859	2,523	2,367	3,168	4,088	2,187	2,598	1,515
EBITDA margin, %	9.5	9.6	10.5	10.7	10.0	13.3	17.4	9.0	10.5	6.4
Financial income	121	90	169	103	62	153	162	116	50	29
Financial expenses	-272	-276	-338	-239	-428	-202	-324	-341	-450	-565
Income after financial items	2,004	1,611	1,731	1,523	979	2,003	2,783	776	976	-406
Net income for the year	1,438	1,175	1,402	1,168	742	1,560	2,217	454	699	-242
Net income attributable to Parent Company's shareholders	1,407	1,133	1,362	1,153	741	1,585	2,225	433	686	-248
Total assets	44,677	41,211	35,088	29,556	27,789	28,938	31,799	29,278	30,430	32,890
-of which total equity	14,377	13,301	12,912	11,373	12,227	11,280	13,069	11,444	10,682	9,330
-of which equity attributable to Parent Company's shareholders	14,189	13,156	12,851	11,291	12,136	11,168	12,950	11,274	10,542	9,240
Equity per share, SEK ¹⁾	132.83	123.64	121.28	107.02	114.04	105.43	122.94	107.66	99.91	86.49
Net liquidity/debt excluding interest-bearing receivables and net provisions for pensions	344	28	-1,880	185	1,953	3,837	4,735	2,382	-1,631	-3,061
Net liquidity/debt ⁶⁾	-1,834	-1,836	-3,217	-2,113	813	1,996	5,333	3,291	-634	-1,693
Cash flow from operating activities	3,164	4,154	358	-713	-662	350	2,392	4,487	1,696	954
Free cash flow⁶⁾	852	2,359	-726	-1,094	-1,460	-396	2,477	4,349	1,447	659
Free cash flow per share after dilution, SEK	7.93	22.07	-6.82	-10.23	-13.38	-3.63	22.69	39.84	13.26	6.13
Average capital employed	22,541	21,135	18,454	15,897	15,454	15,131	13,987	13,743	13,775	13,994
Average equity	13,839	13,107	12,143	11,800	11,754	12,175	12,257	11,063	10,006	10,169
Return on capital employed, %	10.1	8.9	11.2	11.1	9.1	14.6	22.2	7.9	10.3	1.4
Return on equity, %	10.4	9.0	11.5	9.9	6.3	12.8	18.1	4.1	7.0	-2.4
Profit margin, %	7.25	6.59	7.61	7.49	5.92	9.18	13.21	4.47	5.78	0.82
Capital turnover rate, multiple	1.39	1.35	1.47	1.48	1.54	1.59	1.68	1.78	1.79	1.70
Equity/assets ratio, %	32.2	32.3	36.8	38.5	44.0	39.0	41.1	39.1	35.1	28.4
Interest coverage ratio, multiple	8.37	6.84	6.12	7.37	3.29	10.91	9.58	3.20	3.16	0.35
Earnings per share before dilution, SEK ^{2) 5)}	13.20	10.67	12.88	10.86	6.98	15.00	21.19	4.12	6.45	-2.31
Earnings per share after dilution, SEK ^{3) 5)}	13.10	10.60	12.79	10.78	6.79	14.52	20.38	3.97	6.28	-2.31
Dividend, SEK	5.50⁴⁾	5.25	5.00	4.75	4.50	4.50	4.50	3.50	2.25	1.75
Gross capital expenditures for tangible fixed assets	1,093	807	799	732	543	328	325	262	197	386
Research and development costs	7,348	7,421	6,841	5,970	6,543	5,946	5,116	5,008	4,820	4,141
Number of employees at year-end	16,427	15,465	14,685	14,716	14,140	13,968	13,068	12,536	13,159	13,294

¹⁾ Number of shares, excluding treasury shares, as of 31 December 2017: 106,823,782, 2016: 106,405,523, 2015: 105,957,065, 2014: 105,499,980, 2013: 106,414,144, 2012: 105,930,829, 2011: 105,331,958, 2010: 104,717,729, 2009: 105,511,124, 2008: 106,829,893

²⁾ Average number of shares before dilution 2017: 106,601,672, 2016: 106,164,150, 2015: 105,714,805, 2014: 106,125,666, 2013: 106,125,107, 2012: 105,632,911, 2011: 104,982,315, 2010: 105,217,786, 2009: 106,335,553, 2008: 107,515,049

³⁾ Average number of shares after dilution 2017: 107,400,920, 2016: 106,906,726, 2015: 106,450,263, 2014: 106,916,255; 2009–2013: 109,150,344, 2008: 107,515,049

⁴⁾ Board of Directors' proposal.

⁵⁾ Net income less non-controlling interest divided by average number of shares.

⁶⁾ For more information and explanations regarding the usage of these key ratios, please see saabgroup.com, investor, financial data, key ratios.

Financials for 2013 are restated according to the changed accounting principles for joint arrangements (IFRS 11).

Financials for 2012 are restated according to the changed accounting principles for pensions (IAS 19).

Financials for 2012 and earlier are not restated to operational and free cash flow.

Glossary

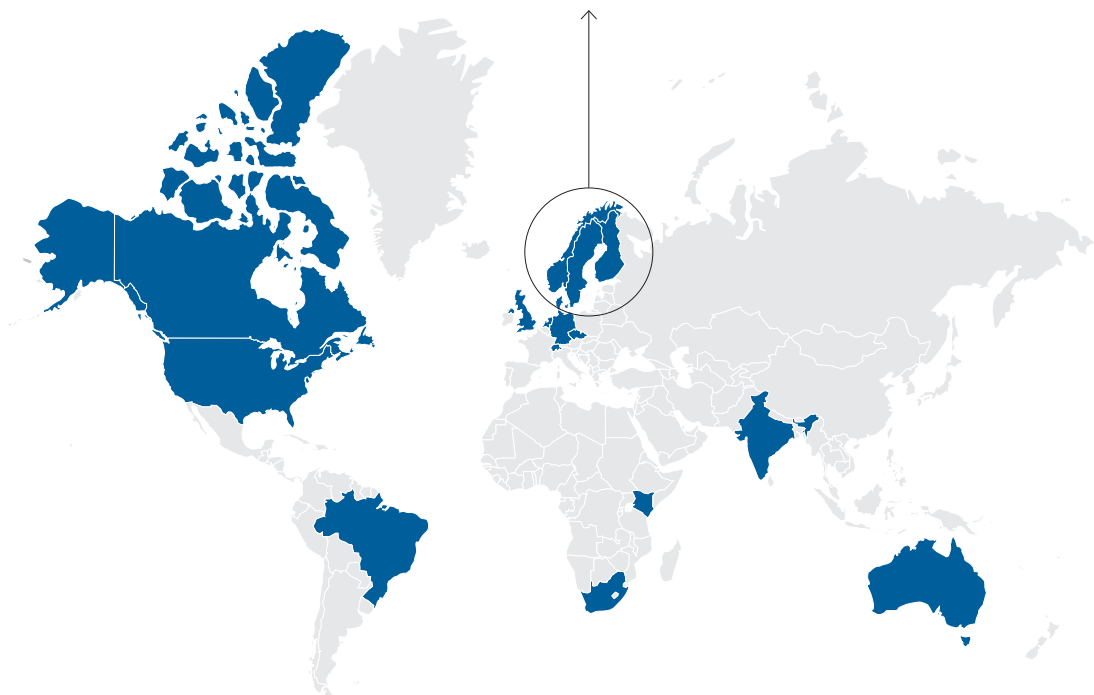
9LV	Combat Management System	GHG	Greenhouse gas emissions
A26	Submarine programme for the Swedish Navy	GlobalEye	Airborne surveillance system (AEW&C)
AEW&C	Airborne Early Warning & Control	GLSDB	Ground Launched Small Diameter Bomb
Arthur	Artillery Hunting Radar	GRI	Global Reporting Initiative
ASD	AeroSpace and Defence Industries Association of Europe	Gripen	Fighter system
AT4	Anti-Tank weapon	ICT	Information and Communications Technology
Carl-Gustaf	Man-portable multi-role weapons system	ISP	Swedish Inspectorate of Strategic Products
CBRN	Chemical, Biological, Radiological, Nuclear agents	ISR	Intelligence, surveillance and reconnaissance
CDP	Carbon Disclosure Project	LTI	Long-Term Incentive Programme
Erieye	Airborne surveillance system (AEW&C)	R&D	Research and Development
FMV	Försvarets Materielverk (Swedish Defence and Materiel Administration)	SOTACS	Special Operations Tactical Suit
FTE	Full Time Equivalent	T-X Program	The United States procurement programme for fighter trainers
GDDN	Gripen Design and Development Network	WASP	Wallenberg Autonomous Systems Program
Giraffe	Surveillance radar system		

Saab in the world

Number of employees

Number of employees by city	31 Dec 2017
Linköping, Sweden	5,996
Göteborg, Sweden	1,573
Järfälla, Sweden	1,221
Karlskoga, Sweden	870
Karlskrona, Sweden	676
Gauteng/Centurion/Pretoria/Johannesburg/Bedfordview, South Africa	650
Huskvarna, Sweden	519
Arboga, Sweden	503
East Syracuse NY, USA	484
Malmö, Sweden	452
Växjö, Sweden	342
Adelaide SA, Australia	253
Östersund, Sweden	199
Trollhättan, Sweden	144
Fareham, UK	139
Apeldoorn, Netherlands	104
Uttenreuth, Germany	98
Gamleby, Sweden	94
Kista, Sweden	92
Stockholm, Sweden	90
Jönköping, Sweden	79
Sönderborg, Denmark	79
Sundbyberg, Sweden	78
Slavkov, Czech Republic	78
Nyköping, Sweden	77
Western Cape/Cape Town/Hermanus/Bredasdorp, South Africa	63
Haninge, Sweden	63
Lillington, USA	58
Thun BE, Switzerland	58
Luleå, Sweden	52
Rockingham WA, Australia	51
Norrköping, Sweden	48
Halden, Norway	47
Örnsköldsvik, Sweden	45
Tammerfors, Finland	40
Helsingborg, Sweden	38
Karlstad, Sweden	35
Other	1,056
Total	16,427

Number of employees by country	31 Dec 2017
Sweden	13,545
South Africa	714
USA	620
Australia	328
UK	195
Netherlands	148
Germany	131
Czech Republic	88
Norway	82
Denmark	81
Finland	77
Canada	59
Switzerland	58
India	53
Brazil	42
Kenya	36
Other	170
Total	16,427



Contact information

Headquarters
Saab AB
Plof Palmes gata 17, 5tr
SE-111 22 Stockholm, Sweden
Telephone: +46 8 463 00 00

Corp. ID no. 556036-0793
www.saabgroup.com
www.saab.com



SAAB