



SAAB

COMPLEX WORLD: ADVANTAGE SAAB
ANNUAL REPORT 2012



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While every care has been taken in the translation of this annual report, readers are reminded that the original annual report, signed by the Board of Directors, is in Swedish.

IMPORTANT EVENTS IN 2012

Q1

During Q1 2012, FMV (the Swedish Defence Materiel Administration) placed an order for maintenance and updating work for Gripen C/D and Saab Sensis was selected by the American Federal Aviation Administration (FAA) for the Airport Surface Surveillance Capability (ASSC) programme, two significant acknowledgements of Saab's expertise and world-class high-tech solutions.

Combitech acquired Sörman Information during Q1 as part of Combitech's strategy to expand its range of services and grow in the Nordic consulting market.

During the quarter, Hungary extended its contract with Sweden for the use of Gripen through 2026 to ensure the continued development of its defence capability.

Q2

Major orders received during Q2 include the extension of Airbus' contract for ailerons for the A320 series, the Thai Navy's order for upgrades to the combat management system for H.T.M.S. Chakri Naruebet, and the Australian Defence Materiel Organisation order of ammunition for the Carl-Gustaf.

Saab made a public bid during the quarter for HITT N.V., a air and marine traffic management company. This acquisition is in line with our overall strategy to strengthen our position on the global traffic management market.

A MoU (Memorandum of Understanding) was signed with the Inter-American Development Bank for a project offering financing to Latin American cities to promote sustainable development.

During Q2, Magnus Örnberg was appointed Saab's new Senior Vice President and Chief Financial Officer.

Saab premiered its new Maritime Security Aircraft - the Saab MSA.

The first graduating class of Saab's Technical Secondary School graduated in June.

Q3

It was announced during Q3 that the U.S. Army's signed a second contract for the Carl-Gustaf man-portable weapon system and the Thai Navy ordered an upgrade of the combat management system for frigates H.T.M.S. Naresuan and H.T.M.S. Taksin. Combitech acquired 70 per cent of the shares of the Norwegian company Bayes Risk Management AS.

As part of the strategy to increase our presence in key markets, a MoU and a Technical Partnership Agreement (TPA) were signed with the Indian company Pipavav Defence and Offshore Engineering Co Ltd.

An agreement between Saab Automobile's creditor and Saab AB, Scania and National Electric Vehicle Sweden (NEVS) regarding the Saab brand was announced in September.

Q4

In December, Saab signed a framework agreement with Piaggio Aero Industries of Italy. Under the agreement, Saab received an initial order for the delivery and integration of surveillance systems for Piaggio Aero's new surveillance aircraft.

Saab received an order for the RBS15 Mk3 air-to-surface missile from German partner company Diehl BGT Defence.

The European unmanned technology demonstrator Neuron held its first flight from Istres, France – an important milestone in the programme, in which Saab has played a crucial role in design, development and production.

During Q4, the Swedish parliament voted in favour of allowing the government to place an order for the acquisition of 40-60 Gripen E. This decision demonstrates broad political consensus to upgrade Swedish air defence to one of the most modern in the world as well as continued faith in Gripen as the backbone of this.

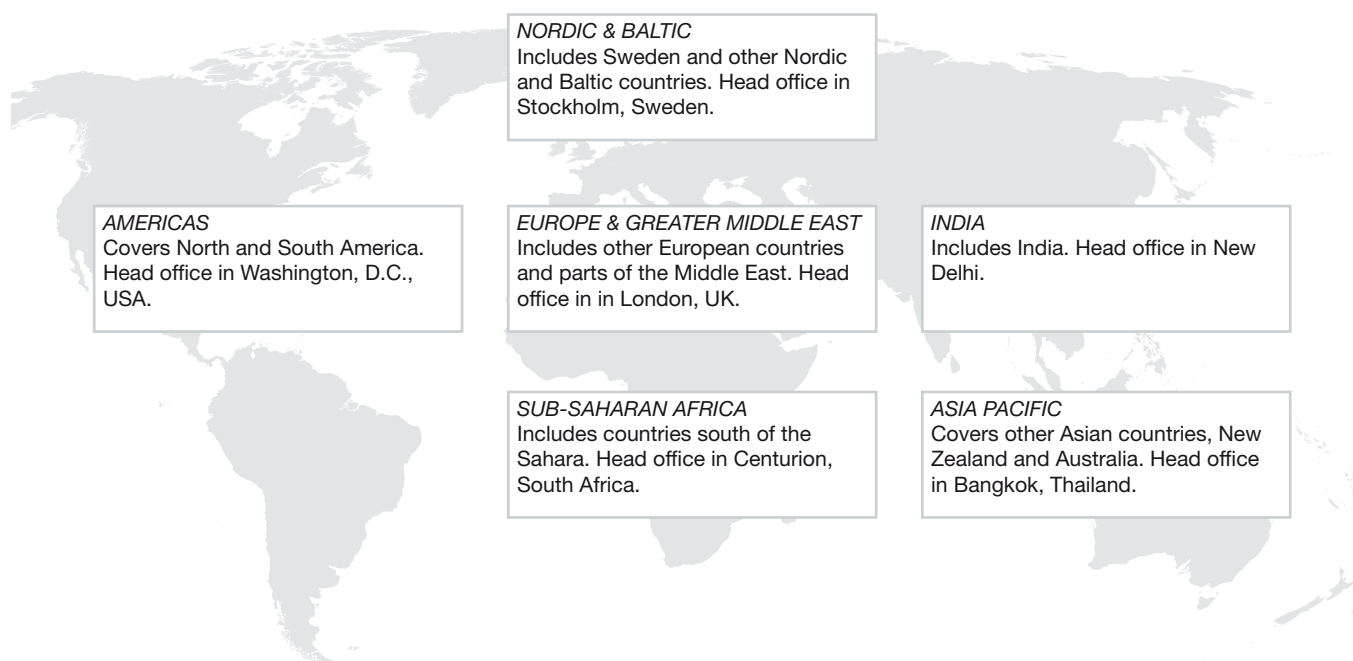
During the quarter, the Gripen E/F demonstration aircraft was shown for the first time to the Swiss public at the Swiss Air Force's annual exhibition at Axalp-Ebenfluh.

SAAB IN BRIEF...

Saab offers world-leading solutions, products and services for military defence and security. New technology is continuously developed, adapted and improved to meet customers' changing needs in over 100 countries. The most important markets are Europe, Asia and North America. Saab has about 14,000 employees and annual sales in 2012 were approximately SEK 24 billion, of which around 25 per cent was related to research and development.

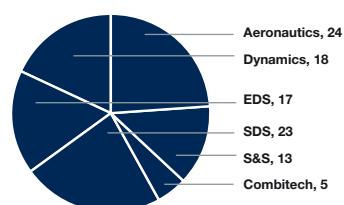
New market organisation from 2013 – six market areas

To create profitable and long-term growth, we are placing clear focus on increasing our international presence and sales outside of Sweden. This expansion is directed towards markets with strong demand and favourable conditions for growth. We have therefore established six market areas.

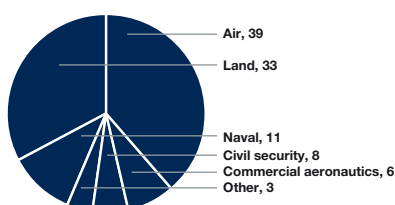


Sales distribution 2012

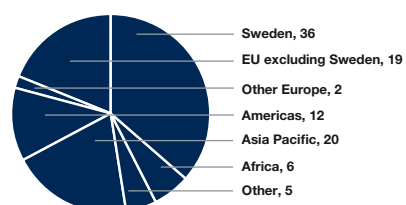
Business areas, %



Market segments, %



Geographical markets, %



... AND OUR 2012 RESULTS

- Order bookings amounted to MSEK 20,683 (18,907) and the order backlog at the end of December 2012 was MSEK 34,151 (37,172).
- Sales increased 2 per cent to MSEK 24,010 (23,498). Excluding acquisitions sales decreased 2 per cent. Exchange rates had no significant impact on sales.
- Gross income amounted to MSEK 7,190 (6,707), corresponding to a gross margin of 29.9 per cent (28.5).
- Operating income was MSEK 2,032 (2,941), corresponding to an operating margin of 8.5 per cent (12.5). This included a non-recurring item of MSEK 207 from a reduction of a potential earn-out liability. 2011 included capital gains of MSEK 1,169. Adjusted for non-recurring items the operating margin was 7.6 per cent (7.5).
- Net income was MSEK 1,539 (2,217), with earnings per share after dilution of SEK 14.33 (20.38).
- The operating cash flow of MSEK -396 (2,477) in 2012 was negative mainly as a result of a higher utilisation of, and reduction in, advances and milestone payments as well as a higher net amount spent on acquisitions and divestments than in 2011. In the fourth quarter the operating cash flow amounted to MSEK 264 (217).
- Proposed dividend for 2012 is SEK 4.50 per share (4.50).

Major events after the conclusion of the year:

- On 15 February, 2013, Saab announced the signing of an agreement with the Swedish Defence Materiel Administration (FMV) for Gripen E. The agreement includes development and modification of Gripen E for Sweden during the period 2013-2026 and a possible order for new production of Gripen E from Switzerland. FMV has today placed an initial development order of SEK 2.5 billion for operations during 2013-2014. Remaining orders from Sweden are expected in 2013-2014. The total value of possible orders under the agreement amounts to a total of SEK 47.2 billion.

Outlook statement 2013:

- In 2013, we estimate that sales will increase slightly compared to 2012.
- The operating margin in 2013, excluding material net capital gains and other non-recurring items, is expected to be in line with the operating margin in 2012, excluding material non-recurring items, of 7.6 per cent.

Key financial ratios (MSEK)	2012	2011
Order bookings	20,683	18,907
Order backlog at year-end	34,151	37,172
Sales	24,010	23,498
EBITDA	3,168	4,088
EBITDA margin, %	13.2	17.4
Operating income (EBIT)	2,032	2,941
Operating margin (EBIT margin), %	8.5	12.5
Income after financial items	1,906	2,783
Net income	1,539	2,217
Operating cash flow	-396	2,477
Earnings per share, SEK (after dilution)	14.33	20.38
Operating cash flow per share, SEK	-3.63	22.69
Dividend per share, SEK	4.50 ¹⁾	4.50
Return on equity, %	11.3	18.1
Equity/Assets ratio, %	47.5	41.1
Total research and development (R&D) expenditures	5,946	5,116
Internally financed R&D	1,798	1,355
R&D share of sales	7.5	5.8
No. of employees at year-end	13,968	13,068
Share of women, %	22.0	22.0
Academic degree, %	55	54

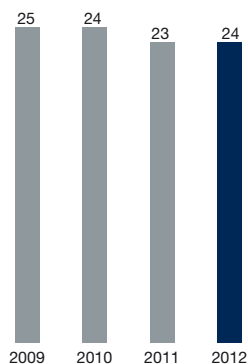
1) Proposed by the Board of Directors

Long-term financial goals and results

Sales, SEK billion

Organic sales growth shall average 5 per cent annually over a business cycle.

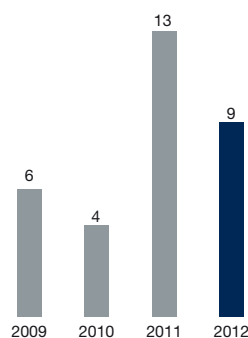
In 2012, the organic growth was -2 per cent (-4).



Operating margin, %

The operating margin after depreciation/amortisation (EBIT) shall be at least 10 per cent. The goal is formulated as an average over a business cycle.

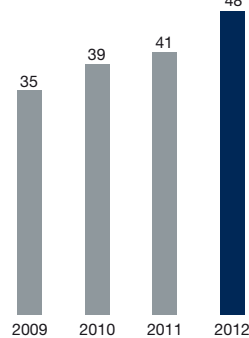
In 2012, the operating margin after depreciation/amortisation (EBIT) was 8.5 per cent (12.5).



Equity/Assets ratio, %

The equity/assets ratio shall exceed 30 per cent.

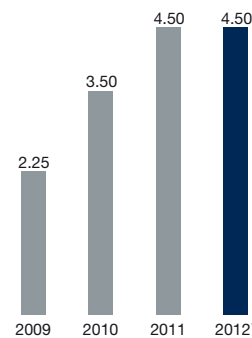
At year-end 2012, the equity/assets ratio was 47.5 per cent (41.1).



Dividend, SEK

The long-term dividend objective is to distribute 20-40 per cent of net income over a business cycle to shareholders.

For 2012, the Board of Directors proposes a dividend of SEK 4.50. This would represent 30 per cent of the net income.



1) Proposed by Board of Directors



SAAB TODAY

OUR VISION

It is a human right to feel safe.

OUR MISSION

To make people safe by pushing intellectual and technological boundaries.

OUR BUSINESS CONCEPT

Saab constantly develops, adopts and improves new technology to meet changing customer needs. Saab serves the global market of governments, authorities and corporations with products, services and solutions for military defence, commercial aviation and civil security.

MARKET POSITION

Saab's strongest position is in Europe, with a main focus in Sweden. Meanwhile, expansion is moving forward in markets with stable demand and favourable conditions for growth – including the U.S., Asia and India. As of 2013, a new market organisation comprised of six market areas has been established to provide a stronger local foothold in our international markets.

Saab is also investing in maintaining its market-leading position within fighter aircraft, Airborne Early Warning (AEW) systems and ground combat weapons. Investments are also made to continuously improve and develop the portfolio in the areas of radar, missiles, command and controlsystems, air and marine traffic management systems, security systems, electronic warfare systems and underwater systems.

OUR STRATEGIC HOUSE

Since 2010, our strategy has focused on four priority areas. Our aim is to create long-term value by accomplishing these strategic priorities. We will also maintain a solid balance sheet, focus on capital efficiency and generate strong cash flow.

Profitable growth

We continuously evaluate our position and identify growth opportunities. We focus on areas with a strong market position and on strengthening our position in areas with good growth opportunities.

Performance

We work with efficiency and continuous improvements.

Portfolio

We adapt our portfolio of products and companies to areas with strong competitive advantages and growth opportunities. We also target areas with a strong market position or leading technology.

People

We want to be an employer of choice in the global market. Our employees are the backbone of our offering and our growth.



SAAB'S DNA

SMART FROM THE START

A complex world that demands new ways of thinking to achieve much with less – this is the environment in which Saab was moulded.

Saab was founded in 1937 to manufacture fighter aircraft for the Swedish Armed Forces. The requirement was a high defence capability without too high of a cost. The solutions needed to be intelligent and cost-efficient from the start – beginning on the drawing board. In short: Saab was born smart.

The changed political situation in Europe in the late 1930s called for stricter defence capability requirements. The Swedish Parliament determined that Sweden must equip itself to safeguard its sovereignty and its national interests. Sweden is a small country, and its financial resources have always been limited. Small countries facing major threat scenarios normally ally themselves to ensure a supply of defence materiel and safeguard their independence. Sweden chose instead to invest in an effective domestic defence industry. Saab was born from this unique political context.

Since then, we have been a key development partner to the Swedish Defence Materiel Administration (FMV) and the Swedish Armed Forces. Close cooperation with customers and rigorous customer requirements have contributed to our formation from the start. Important parts of the Swedish defence industry have been gathered and further developed in our group. Companies such as

Bofors, Ericsson, Microwave Radar and Celsius have been integrated into the operations and contributed to a unique whole.

As the world is marked by old and new threat scenarios and conflicts, deeper dependencies and new forms of cooperation are evolving. An increasingly integrated society requires technology with the flexibility, multifunctionality and ability to operate jointly.

Demands for efficiency have driven Saab to always secure the entirety rather than the details. In parallel with this, the tradition of making the most of limited resources has been interpreted from an operational and lifecycle perspective. This is not only a question of purchasing costs, but also of owning and operating costs. It is a question of reliability, availability and sustainability.

The extraordinary technological challenges throughout the years have driven and developed Saab into a broad-based Swedish innovation powerhouse and a strong competitor on the international defence and security market. World-class, high technology expertise has been developed and the list of ground-breaking innovations is long.

As an international company, the ability to produce innovative, effective solutions tailored to local conditions and with limited resources – not just financial resources – is a key competitive advantage.

OUR VALUES

Expertise

We combine a strong history of knowledge with constant learning.

Trust

We are global citizens, honest and reliable and we keep our promises.

Drive

We have a passion for innovation, we are open to change and we are committed to being fast and flexible.



The first order for the HUD (Head-Up Display) system was placed by U.S. Army Aviation. The customer was impressed with the results of flight evaluations with the system installed on the Blackhawk helicopter. The order was secured in cooperation with BAE Systems Inc., with whom we collaborate in North America with respect to the U.S. Army Night Vision and Electronic Sensor Directorate (NVEDS).

The system's excellent high resolution optical display provides the user with crisp, clear flight information and enhanced situational awareness. Further flight tests are being conducted using the system on the Blackhawk and other helicopter platforms. The goal is to improve safety while flying at low altitudes and during take-off and landing in degraded visual environments.

CHAIRMAN'S STATEMENT

A CHALLENGING WORLD

In a changing world, expertise and solid market analysis are crucially important. Only when these are in place can scope be created to act proactively and take the best advantage of trends in the surrounding environment. At Saab, we monitor and analyse trends on a continuous basis in order to understand current needs and anticipate future ones. Our strategy is developing towards having our own local presence in Saab's key markets.

Competitiveness on a global market

2012 was an eventful year for Saab. It was the year we celebrated 75 years as a Swedish defence materiel company and the year significant steps were taken to develop and sell a new generation of fighter aircraft, Gripen E, to both Sweden and Switzerland. During the year, Sweden approached a strong position in the West in terms of its air defence system. This is only possible by virtue of the high-tech expertise that has been part of Saab since its inception in 1937. At that time, Sweden was in many ways a very different country than it is today, and the world around us had agendas different from ours. But there are also major similarities that make Saab's original strategy relevant even today. From the start, Saab was ahead of its time in some ways. I am thinking in particular of the original goals of building technically advanced systems that could easily be integrated with others and of identifying smarter solutions to make production and development more cost-

effective. This has made us competitive on a global market for 75 years, and has formed an organisation that is well-equipped to meet the diverse events we now see occurring all around us.

Complexity continues to increase

The past year was marked by continued turbulence in the macro environment and the continued global economic slowdown. The crisis in Europe became more severe as government cut-backs met rising structural and cyclical unemployment. Comprehensive reform of the financial system also characterised the European agenda during the year.

This affected the total budgetary scope on the national level, and hence defence appropriations. For the defence industry, this means postponed orders and tougher demands for defence capacity relative to price. The latter is a competitive advantage for Saab, which has provided us with support in our export efforts with the Gripen system.

The challenge for countries with fiscal imbalances is to identify solutions that enable economic growth while reducing the overall debt burden. The BRIC countries (Brazil, Russia, India and China) and other growth economies also downshifted during 2012. For Saab, which has a large part of its operations in Europe and which views areas of the emerging countries as strategically important markets, this trend represents both challenges and opportunities.

Shifts in emphasis create new playing field

Defence investments are typically made with a minimum time horizon of ten to twenty years. In a geopolitical perspective, shifts in emphasis have taken place economically, politically and geographically during the past ten years. The USA has gradually shifted its focus from Europe and the Middle East to Asia and the Pacific Region. This change will, over time, probably affect the way Sweden and its neighbouring countries act.

The EU and NATO are discussing ways in which the defence industry can cooperate to achieve more efficient solutions. Even today, there is more international exchange in this area than would have been imaginable just a few decades ago. Under the 2010 Ghent Framework, EU defence ministers are working towards a systematic analysis of national military capacity for the purpose of identifying solutions for interoperability. This represents the explicit ambition at the highest political level within the EU to cooperate on defence issues in order to work smarter.

Saab is a clear example of how system solutions can produce integration opportunities with other parties and thereby result in more cost-effective products. Gripen alone uses devices and subsystems from around 350 different companies. But, as the need for an increased level of cooperation becomes more apparent, it is important to remember that this must be done in an effective way and must generate products and solutions that are actually better than their predecessors. Neuron – an unmanned aircraft developed by Saab in collaboration with several European operators – was test flown during 2012. This is an excellent example of positive forces working together to break new ground.

Changing energy map impacts military strategic priorities

New oil and gas production technology may make the USA, and probably China, energy self-sufficient and will impact both countries' strategic agendas. During 2012 we received reports that the USA will be able to export some of its gas production in the not

“SAAB IS A CLEAR EXAMPLE OF HOW SYSTEM SOLUTIONS CAN OFFER INTEGRATION OPPORTUNITIES WITH OTHER PARTIES AND THEREFORE LEAD TO MORE COST-EFFECTIVE PRODUCTS.”



too distant future. This alteration of the energy map impacts security policy the world over and hence military strategic priorities and investments.

Coupled with the development of new energy technology is the issue of environmental impact. Concrete proof that global warming actually exists was in evidence last year when the North-East Passage north of Norway and Russia was opened to commercial

traffic. This presents some ambiguities – the melting of polar ice caps is evidence of the increasing unhealthiness of the planet, but also shortens transport routes and thereby reduces future environmental impact.

As global trade is gradually rerouted to the Arctic Ocean, the security policy map in our immediate environment will be redrawn. This is reinforced by the fact that an open Arctic Ocean will to a greater extent enable the extraction of raw materials, particularly previously inaccessible fossil resources.

This is a development that Saab will have to monitor since it could influence the military strategic priorities in the Nordic markets where we have a strong position, particularly in Sweden.

Towards a more market-oriented organisation

As mentioned in the introduction, we at Saab believe in increasing our local presence with our own people on the ground. Only when an organisation can see and hear what is happening around the world with its own eyes and ears can it create an environment for producing a customised offering. This is the reason behind Saab's establishment, as of January 1st 2013, of six market areas on five continents. With people on the ground in these markets, we are taking with us our values and approach for healthy, sustainable business practices with zero tolerance of all forms of corruption. We know that we operate in an industry in which strict regulations are and should be a fact of life – in terms of companies' own principles, national legislation and international agreements. We therefore actively support the UN's work to formulate global regulations for our industry. To clarify our position in terms of how we act in society, Saab adopted the UN Global Compact in 2011. Its ten principles are now incorporated into Saab's framework for sustainability work that is being continuously developed throughout the company. Saab's Code of Conduct is also based on these ten principles. We are thus ensuring that Saab can develop further as a sustainable, international company that is competitive in the long term.

Stockholm, February 2013

Marcus Wallenberg
Chairman

2012 – A jubilee year for Saab

Saab's celebrated its 75th anniversary on 2 April 2012 with a party in Linköping and the participation of Gripen aircraft from four countries in the Lion Effort military exercise in Sweden.

Aviation has always played a significant role in our business, and Saab has to date produced over 4,000 aircraft. Saab's April 2nd anniversary was celebrated by the Swedish Airforce with a unique exhibition of the military aircraft it has produced over the years. The Tunnan (1951-1956), J32 Lansen (1956-1960), J35 Draken (1959-1977), AJ37 Viggen (1971-1990), SK60 (1966-1972) and JAS 39 Gripen (1993-) aircraft flew in formation during the exhibition.

While Saab celebrated its 75th anniversary, the 2012 Lion Effort exercise was in progress. Around 30 Gripen aircraft from the Swedish, Hungarian, Czech and South African Air Forces,

along with observers from the Thai Airforce, gathered in Ronneby/Karlskrona, Sweden. The number of Gripen users is large and growing, and this generates operational and financial advantages for them. Lion Effort demonstrates how Gripen operators from different countries can cooperate, train and learn from each other's experiences.



CEO COMMENT

ENTERING 2013 WITH A STRONG FOUNDATION

Following an exciting 2012, a year with many positive announcements, Saab is well-equipped to tackle a global market characterised by tough competition. Focus is on achieving profitable growth through continued cost-efficiency measures and close cooperation with our customers. We are investing even more in markets that have a clear need for competitive products, systems and solutions.

A step in the right direction

During the year we secured several important orders and in the third quarter order bookings reached their highest level in several years. For the full year 2012, order bookings increased to MSEK 20,683 and the order backlog at the end of December amounted to MSEK 34,151.

Sales increased 2 per cent to MSEK 24,010 and gross income increased to MSEK 7,190, corresponding to a gross margin of 29.9 per cent. Operating income amounted to MSEK 2,032, corresponding to an operating margin of 8.5 per cent, with excluding extraordinary items was in line with the 2011 results.

Operating cash flow decreased to MSEK -396 as a result of a higher utilisation of, and reduction in, advances and milestone payments as well as a higher net amount spent on acquisitions and divestments. It is normal in our industry that working capital varies over time depending on the project mix and milestone payments.

Market conditions are challenging, and the situation is likely to continue. Our view is that we need to strengthen the portfolio and further increase our international presence. Therefore we announced during the year three additional market areas and a new organisational structure, with a total of six market areas, which came into operation on 1 January 2013, and two major acquisitions that give us leading positions in areas such as aviation and maritime traffic control.

Success for Gripen

Everyone who worked at Saab this past year and everyone who followed us from the side lines can probably agree that this has been a year of historic events. The first six months were marked by the grand celebration of our 75th anniversary, and the second half of the year by positive announcements about Gripen. We received news in late August that the Swedish government had reached an agreement with Switzerland for the procurement of 20 or so Gripen E aircraft, and in mid-February 2013 we announced an agreement with the Swedish Defence Materiel Administration that includes development and modification of Gripen E for Sweden during the period 2013-2026 and a possible order to manufacture new Gripen E aircraft from Switzerland. In total the agreement contains potential orders totalling SEK 47.2 billion.

This is an historic event for Saab and as CEO I am extremely proud of the confidence placed in this unique fighter aircraft system, its development potential and defence capacity. Today, Gripen is operational in six countries and we see continued strong

interest throughout the world. It is thanks to our high-tech expertise and leading edge employees that we can offer an entirely new fighter aircraft system, something very few companies can.

Stronger local presence, globally

Many of you who have heard me speak during 2012 have learned that I want global development to be our starting point. This is because things that happen in our market are, to an increasing extent, impacting the way we do business. Saab has for some time had the goal of 5 per cent organic growth per year over a business cycle. Achieving this requires more than doing business only at home – we also need to continue to increase our market shares beyond Sweden's borders. We therefore introduced, in early 2013, a new market organisation with six geographic areas that have favourable conditions for profitable growth. Based on this, we will now run our operations and receive first-hand information on what is happening in different markets. Being close to our customers is essential for building better, lasting industrial collaborations.

Local roots also mean that we take an active role in the development of society. This may involve collaborations in the educational field, research and development and local production. Brazil and India are two concrete examples where we are currently operating successful research centres. In all of our most important markets we apply what we call "The Saab Way". This means that, in everything we do, we deliver high quality at reasonable cost, and create and maintain close customer relationships and collaborations in research and development.

Continued portfolio development

However, our growth will not be generated solely through expansion in prioritised markets. We must also ensure that we have an offering that satisfies our customers' demands. We therefore worked actively with our product portfolio during 2012 – work that will continue at the same level of intensity in 2013. A key part of this work is our investments in research and development.

Each year, Saab allocates around 20 per cent of sales to R&D commissioned by customers and our own work, and in 2012 we allocated 25 per cent. This is a significant amount and, as such, imposes requirements for results. We believe that the combination of being close to our customers to capture their needs and investing heavily in high-tech development is the recipe for success in building a well-focused portfolio of solutions, products and services with internal and external synergy opportunities. By growing smart, and with our unique expertise in system integration, Saab can develop competitive advantages that produce concrete results.

We develop the portfolio through product and systems development and through regular divestments and acquisitions. One strategically interesting acquisition this year was the acquisition of HITT N.V., a leading supplier of advanced software applications for aviation and maritime navigation, traffic and logistics maintenance. Traffic monitoring and control is becoming one of our most important civil market segments.

Challenges and bright spots

The business climate in 2012 continued to be characterised by fiscal problems and an economic slowdown. When governments allocate fewer and fewer resources to various budget items, companies like Saab naturally find it more challenging to create growth. Global defence expenditures are expected to grow by

a total of 10 per cent through 2017, although this trend varies in different parts of the world. Western countries are expected to cut defence spending, while areas such as China, Russia, India and South America are planning to allocate more resources for defence.

During 2012 we also witnessed a shift in defence policy priorities in some countries. In January 2012 President Obama announced that the U.S. will modify its defence strategy by increasing focus on Asia and the Pacific Region. Accordingly, the U.S. will reduce its presence in Europe and the Middle East, and this imposes new requirements on the way we work together and take responsibility for shared security within Europe. In combination with tighter economic conditions, this also means that the EU and NATO are now talking increasingly about how we can draw benefit from each other and utilise skills and resources more effectively.

This trend presents major opportunities for Saab. We know that our system solutions offer cost-effective defence solutions. Some examples of this are advanced systems such as fighter aircraft, airborne surveillance systems and ground combat weapons like the Carl-Gustaf.

Leader in operational excellence

Saab has been around for 75 years and is still marked by having its roots in a small, non-aligned country. From the start, we have operated on a very distinct market and this has forced us to think smart and use resources efficiently. This way of thinking and working also characterises us today in our focus on efficient operations. Saab employees work every day to achieve greater cost-efficiency in order to deliver products and services with power, performance and value for money. With "The Saab Way" as a control instrument, we have excellent prospects to maintain our advantage here.

Continuing to attract the most skilled employees

We often say that Saab is one of Sweden's most high-tech companies, and these are not just empty words. I can, for example, state as concrete evidence that the share of university-trained employees is approximately 55 per cent (54). And as the father of three daughters, I am personally proud that we are one of the best high-tech companies in terms of gender equality. This is demonstrated, among other things, by the fact that we have nearly achieved our goal of having at least 30 per cent female senior executives. Once we have achieved this objective we will raise our ambition further. Our ambition is to carry these key figures and values with us as Saab expands abroad, even though circumstances vary between markets.

To be able to meet the tougher competition, it is also crucial for us to be able to attract and retain the market's best talents and brains. Our goal is that these skilled employees will be able to grow within Saab and become inspirational leaders who can be part of our journey to become an international and competitive company. To this end, we have developed initiatives such as our management and trainee programmes, which engaged about 250 people in 2012.

UN Global Compact guides our actions

Our efforts on international expansion also imposes high demands on everyone working at Saab to be familiar with and remain updated on our Code of Conduct. Trust in us is an invaluable asset that must not be jeopardised. Business ethics are crucial and we



have therefore put great emphasis on developing strict regulations on how we do business. These regulations include zero tolerance of bribes. As a member of ASD (Aerospace and Defence Industries of Europe), we are supporting efforts to develop anti-corruption regulations in the form of Common Industry Standards. We also support the Global Principles of Business Ethics for the Aerospace and Defence Industry and efforts to promote these principles within the global aviation and defence industry.

We adopted the UN Global Compact in 2011. This is a programme based on UN human rights principles but which also includes principles on labour, the environment and anti-corruption. The Global Compact is now integrated into our Code of Conduct.

And finally ...

Gripen's successes during 2012 clearly illustrate Saab's competitive advantages: cutting-edge technology, cost-efficiency over the entire lifecycle, high integration and flexibility capacity and close cooperation with customers. The fact that we at Saab have been working smartly and cost-efficiently since our start 75 years ago will be increasingly important during times of dwindling resources. We received concrete evidence of this in the form of increased order bookings during the year. With this background, we have a solid platform for profitable growth in 2013.

During times of change within a company, major strain is put on its employees. All of us at Saab have worked hard to achieve ambitious goals. I want to thank everyone who is involved in implementing our strategy, everyone who shares our belief in the future and everyone who wants to develop Saab into the important, successful company it deserves to be. As I mentioned above, we have already put the platform in place. We will now manage this platform and ensure that it produces the gearing effect that we know it can.

Stockholm, February 2013

Håkan Buskhe
President and CEO



GRIPEN – THE WORLD’S MOST DEDICATED MULTI-ROLE FIGHTER AIRCRAFT

Gripen is a multi-role fighter system. This category of aircraft is characterised by a single aircraft being capable of the principal tasks of air-to-air, air-to-surface and reconnaissance. The system is noted for its flexible capacities, and it has strong operational capabilities. Furthermore, the system is the most cost-effective on the market today.

Networks provide an information advantage

The focus of the pilot in a modern fighter aircraft is on making use of its tactical capabilities. In order to complete a mission the pilot must have optimal information superiority to make quick decisions in lightning-fast situations. For this reason, Gripen is also part of a network of other aircraft, ships, radar stations and ground units.

The information in the Gripen cockpit is retrieved from its radar, other sensors, and the aircraft’s own database, as well as data received from other coordinated aircraft. Data can also be transmitted to other coordinated aircraft.

By acting in a network, the various aircraft are able to operate without unnecessarily disclosing their positions. With its radar activated, an aircraft risks quickly revealing its position, so the pilots may elect to use the radar of only one aircraft in the group, which transmits the information to the others.

Designed for easy handling

Gripen is designed to be adaptable. A high level of software is advantageous since upgrades can be made as the need arises, without requiring major and costly refurbishment of the aircraft.

Upgrades to Gripen’s software can be compared to upgrades on a personal computer.

Gripen has high field capability. This means it is a fighter designed to be based anywhere from well-equipped air bases to simple forward operating bases on paved roads. Gripen can be made operationally ready, i.e. fuelled and loaded with weapons and ammunition, in a car park. A group of four people can ready the aircraft in only ten minutes if the sortie is an air-to-air mission, while an air-to-ground mission requires 20 minutes.

This rapidity is unique to Gripen. Short turnaround times increase response capacity and contribute to the Gripen system’s efficiency.

The field capability includes being able to conduct technical service work outdoors, even at forward operating bases, and the engine, for example, can be changed in less than one hour.

A cost-effective system

Gripen is a fighter system that uniquely combines high technology and high operational capabilities with cost effectiveness. This cost-effectiveness is true of the development and production, purchase price, operating costs and maintenance – the entire lifecycle.

Operating and maintenance costs throughout the operational life make up a large part of the cost of a fighter system. A comparison between Gripen and its main competitors shows that Gripen has the lowest cost of operation and maintenance.

Flexible design allows upgrades at reasonable price and low risk

Future Gripen generations benefit from the fundamental design of previous versions, which means that implementing new sub-systems such as radar, engines, avionics and advanced tactical fighter aircraft systems can be done with significant savings over creating a whole new combat aircraft from scratch. With the



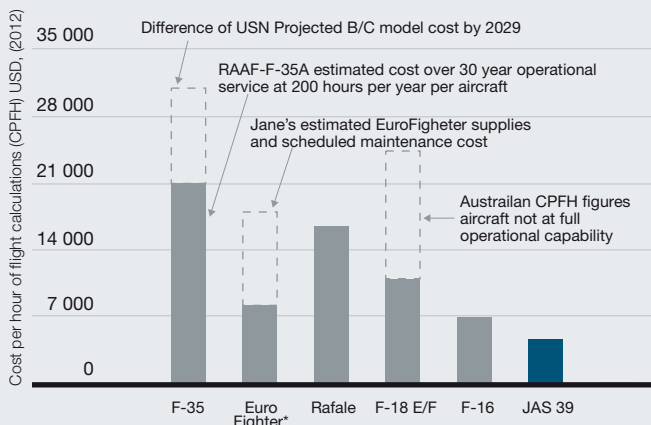
What distinguishes Gripen E/F from Gripen C/D?

There can be two versions of the new generation Gripen: the single-seater E and the two-seater F. Although the future Gripen E/F will be slightly larger than the current Gripen C/D version, it may be difficult to perceive the difference between them. The innovations enabling the significant performance improvement for

Gripen E/F are found primarily on the inside.

The aircraft has a more powerful engine, increased internal fuel capacity, greater weapons capacity, an upgraded cockpit display system and more advanced avionics (aviation electronics).

	Gripen E	Gripen C
Length:	15.2 metres	14.1 metres
Wingspan:	8.6 metres	8.4 metres
Maximum take-off weight:	16.5 tonnes	14 tonnes
Thrust:	>22,000 lbs.	>18,000 lbs.
Weapons stations:	10	8
Max speed:	Mach 2 (plus Super-Cruise Capability)	Mach 2
Turnaround-time: (i.e., the time it takes for an aircraft to land, fill up fuel, change cargo and take off again)	Less than 10 minutes with weapons for air-to-air combat; less than 20 minutes with weapons for air-to-ground combat.	Less than 10 minutes with weapons for air-to-air combat; less than 20 minutes with weapons for air-to-ground combat.



* The EuroFighter cost given UK Parliament appears to cover fuel usage only per hour
Source: IHS Jane's, 2012

replacement of both hardware and software, Gripen E also has a new and modern system that will be easy to develop in the future.

This is how Saab has been able to develop Gripen E at lower cost than the C/D and A/B versions. Test flights began in spring 2008 of a demonstrator aircraft, called the Gripen Demo, and later with the Gripen NG (New Generation). This aircraft has a more powerful engine and AESA* radar based on the latest radar technology, as well as a new positioning of the landing gear. A variety of avionics and communications equipment have also been flight-tested in the aircraft. During the test period, the aircraft has been flown in Sweden, India and Switzerland.

Major technical advancement has been proven over the Gripen C/D version during the demonstrator programme. This means that the path to Gripen E becoming fully operational can be regarded as fully quality assured, on time and within budget.

* AESA (Active Electronically Scanned Array) radar: This radar technology simultaneously scans in multiple directions. Gripen version C/D currently uses a traditional radar, where an antenna sweeps all or part of a search area.

Gripen 2012 and 2013

On 24 August, the Swedish Defence and Security Export Agency (FXM) and Armatisuisse, the Swiss Federal Department of Defence, Civil Protection and Sport, signed a framework agreement on Switzerland's procurement of 22 Gripen aircraft. The agreement builds further on the declaration of intent signed by the two countries earlier in the summer, which represented an important step in the subsequent political decision-making process.

A series of important events for the next-generation Gripen followed during the autumn. After a hearing in the parliament's Defence Committee on 8 November, Sweden's elected representatives voted on 12 December in favour of allowing the Government to take a decision on a new version of JAS 39 Gripen during 2013. This was a historically important decision for Saab and the future of Gripen, and provides support for the process in Switzerland.

The next-generation Gripen was also demonstrated to the Swiss public for the first time in 2012, with its participation in the Swiss Air Force's Axalp exhibition. The two-seater demonstrator aircraft was flown by a Swiss pilot in the front seat, with a Swedish pilot in the rear seat.

FXM submitted an offer to Croatia in October for the purchase of eight Gripen C/Ds. The contract with Hungary was extended during the year, and Gripen participated in Czech Air Force patrols over the Baltic States under the authority of NATO.

In February 2013, Saab announced that an agreement had been concluded with FMV for Gripen E. The agreement covers the development and modification of Gripen E for Sweden during the period 2013-2026 and a possible order for newly built Gripen E aircraft from Switzerland. FMV also placed an initial development order worth SEK 2.5 billion for operations in 2013-2014. The remaining orders from Sweden are expected in 2013-2014. In total, the agreement covers potential orders totalling SEK 47.2 billion.

MEGATRENDS

A RAPIDLY CHANGING WORLD

As the world changes, so do our defence and security needs. Due to megatrends such as globalisation, economic growth, population growth, urbanisation and rapid technological development, we need to build on the way we traditionally think about security. This is true politically, militarily and economically as well as nationally and internationally.

Global rebalancing – urbanisation, flow-related and maritime issues

The ongoing emphasis shift of economic and political power from the “Western world” to growth regions, chiefly regions in Asia, demonstrates the importance of economic factors now being awarded more or less the same significance as military power – at least during peacetime.

New vulnerabilities and threat scenarios become evident as we become more closely linked in an increasingly global context. The need to safeguard and protect critical flows and hubs in society also becomes more obvious. These include crucial infrastructure and functions such as airports, ports, railways, motorways, trade flows, mass transportation and energy systems. But the modern concept of security is not merely a matter of protecting these functions against direct threats and disasters, but also of facilitating functionality, efficiency, sustainability and commercial aspects.

In light of the geographic and economic policy background, the shift in emphasis towards the Asia-Pacific region makes the maritime dimension increasingly important. Military strategists and political decision-makers need to think increasingly in terms of seas (territorial seas and sea-based flows) and less in terms of land.

The global governance aspect

The changes taking place in the world today give rise to plenty of challenges and opportunities, as well as uncertainties. Over time, global governance and regulatory systems can retain their legitimacy and effectiveness only when they adapt to real-world developments – e.g. regional differences in population and economic growth. The strong emergence of new players with new ambitions imposes new and different types of demands, and potential conflicts of interest emerge. This also alters the global governance situation. Due to these trends – in combination with multiple disputes about and differing views on the rules of the game, standards and values – the issue of global power structures becomes increasingly relevant. Are we now seeing a redistribution of the global balance of power?

Trends, threats and opportunities going forward – a new meaning of “security”

In order to adapt the concept of security to future conditions and to retain a technological advantage, new aspects, threats, risks, challenges and opportunities must be more clearly included.

New technologies

The technology factor is increasingly important for companies like Saab. Developing and retaining a technological advantage will be crucial in the competition in the defence and civil markets alike.

Also, defence and civil companies will increasingly compete for contracts in each others’ traditional areas as the lines between the military and civil are blurred and as technology plays a more important role.

New stakeholders and players

With an expanded security concept, stakeholder groups will also grow from the current nation states and government institutions to increasingly include new stakeholders such as leaders of major cities; global companies; network, transport, logistics and infrastructure operators; and health care players.

Pressure from a growing global middle class is a strong driver

From a political and sociological perspective, economic growth, easily accessible IC technology and the emergence of the connected society have created a platform for a growing “global middle class”. This trend is closely linked to the urbanisation trend (which is stronger than population growth) in developing countries and regions.

With demands for social welfare, freedom, justice and political influence, this is a growing challenge for politicians and their legitimacy in many countries. The global middle class is generating forces that seldom recognise geographical limitations.

Understanding the military sector

In a globalised, more affluent and enlightened world, traditional war will in all likelihood be a less rational option. Statistics confirm a long-term downward trend for armed conflict, particularly in terms of international conflicts. In the long term, this trend will impact military and security doctrines.

Running parallel with this trend is a rising need for modern society to protect itself against a number of non-traditional, non-military threats. These new security needs will not replace traditional military scenarios. However, in many western countries, defence spending is being impacted for government finances. This is resulting in both restructuring reforms and an adjustment of ambitions.

Anticipating the war of tomorrow

In a five-year perspective, wars will by and large probably be fought as they are today. But in the long term, the way in which military powers plan and wage their conflicts will very likely change. As technological advances spread throughout the world, threat scenarios will also change for most countries. In the not too distant future, society will need to create the power to resist and defend itself against, e.g. advanced, coordinated asymmetrical threats from unmanned kinetic weapons in combination with cyber attacks. These may also target social functions rather than traditional military targets, and may be carried out by hard-to-identify aggressors, planned and coordinated by other countries or other players with considerable financial resources.

Economics from a strategic security perspective

Economic security is no longer only a matter of safeguarding resources such as food, water or other things that enable a country to withstand a war. Economic security today is also a matter of general economic growth and prosperity, which requires efficient flows of goods, services and information. The economic dimension is given increasing importance in modern security doctrines. The U.S. Defense Strategy Guidance from 2012 emphasised that

Market trends

The concept of security policy has expanded and today includes dimensions other than defence. Military attacks are certainly still relevant from a long-term perspective, and localised military incidents and operations in the near term cannot be ruled out either. International crises and conflicts will also continue to call for both civil and military responses. But society's basic functions are be-

coming more complex, which is accelerating questions of vulnerability. Saab has therefore continuously broadened its operations to include civil applications to address this expanded threat scenario, which today also includes impacts on our environment.



The primary drivers in Saab's market areas are threat scenarios and security needs. This applies to the defence sector and civil society as well as the grey zone in between. Understanding the development of, and overlap between, the two main dimensions of security policy is critical to also understanding the opportunities, breadth and potential in Saab's market.

The three areas of training, command and control, and maintenance are "links" as well as the lowest common denominator between these two security dimensions. For Saab, these areas originate in a traditional border-protecting military context, but are just as relevant and possible to implement in an urban-centred, flow-protecting environment. Read more on page 12.

prosperity and security are intimately associated with open trade routes, and the UK's National Security Strategy of 2010 sets out that prosperity and a strong economy are vital to the nation's security.

Health and environment from a strategic security perspective

In a globalised world, there is a great risk for global epidemics and increasingly drug-resistant pathogens. The evolution of the globalised world was made possible by, among other things, the successful development and use of vaccines against infectious diseases. Against this background the international community and several defence companies have placed health and infectious disease control higher on the agenda.

The risks of the spread of infectious diseases and other health threats are also linked to increased environmental impact and

associated climate change. Global warming can accelerate the spread of contagion. This threat is now attracting more attention as future risk and threat scenarios are outlined – but, in spite of this, the area presents a new challenge for the traditional security industry.

Realising potential by being on the thinking edge

Some high-tech companies have relevant capabilities within data fusion, visualisation, systems integration, situation awareness, etc. to meet new security threats – where civil and military security merge and leading-edge defence and security companies can make a difference.

For sources see page 144.

MARKET AND DRIVING FORCES

INCREASED COMPLEXITY - AN ADVANTAGE FOR SAAB

Saab operates in a global market with a need for defending borders and territories and maintaining functionality and security in civil society. The market's driving forces are linked to altered threat scenarios and new security needs, as well as increased demand for cost-efficiency. Complexity and change are progressively increasing. Flexibility, cost-consciousness and understanding of the need for change give Saab a strong competitive position.

Increased competition for global resources – and new geopolitical conditions

The economic growth rates in Western Europe and North America are currently lower than those in Africa, Latin America and Asia, where – despite continuing challenges – growth is significantly higher. As the world population grows and the global community develops, competition increases for resources while economic growth is in the best interest of all.

Impact and our position:

At a time when competitive dynamics are changing and new economic relationships are emerging, conflict patterns and security needs are altered. Customers demand integrated solutions from companies that are highly familiar with international relations as well as the specific conditions in local markets. To increase the chances of being selected as business partner and to have a portion of development financed through government appropriations, it is important to be established locally.

Based on a strong presence in prioritised geographic markets, presence is further strengthened through the establishment of six market areas. Read more on pages 18 and 26–29.

Macro factors have an impact

The global economy has slowed down in recent years. Deficits and public debt in major western economies call for stringent austerity programmes, which are reflected in reduced defence budgets. The U.S. and Canada, however, still stand for the largest share of global defence spending. Brazil, China and other Asian countries are seeing the greatest increase in defence spending. It is estimated that defence spending in the Nordic countries will total approximately SEK 790 billion during the 2012–2017 period (Source: IHS Jane's).

Impact and our position:

To a growing extent, defence authorities around the world want access to the best the market has to offer at the lowest possible price, regardless of country of origin. In addition, tested products are evaluated based on both performance and cost-efficiency over product lifecycle.

At the same time, demands are increasing for functionality, efficiency and the ability to operate jointly. To a growing degree, there is a demand for open solutions that can be integrated into existing equipment and other suppliers' systems. Customers in both military and civil markets want broad-based, integrated solutions that include more services: training, support and maintenance.

With successful efficiency improvements and close customer collaboration, Saab holds a strong position in terms of delivering customised, efficient solutions. Read more on pages 10–11 and 19–22.

New cooperation and alliances with a regional focus

International cooperation, alliances and missions are crucial to the global community's peacekeeping and economic development efforts. Meanwhile, regional alliances and long-term bilateral agreements are becoming increasingly significant. This is especially true in terms of large defence orders, which almost always entail major industrial partnerships – both within and outside of the defence industry. Large development projects are also conducted through public-private partnerships.

Impact and our position:

International cooperation and system partnerships require open systems that can be coordinated and integrated operationally. Defence orders involving industrial partnerships often entail the delivery of part of the order value through production in the purchasing country, as well as technology transfer to that country.

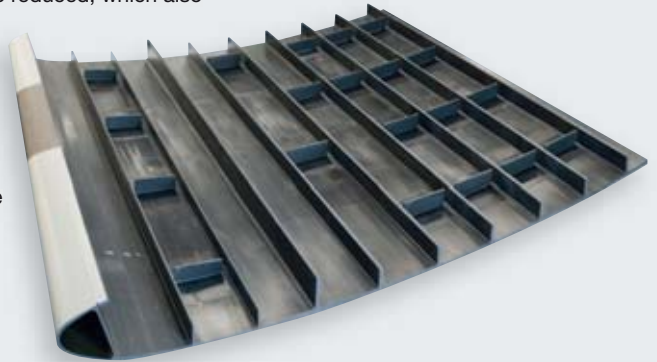
Saab's systems and solutions are distinguished by high levels of interoperability, and system integration is our core competence. This gives Saab greater opportunities to address the new cooperation patterns and demands for technology transfer. Read more on pages 14–15 and 20–21.

WING OF THE FUTURE DEVELOPED IN LINKÖPING

A brand new integrated technology to build composite wings can reduce fuel consumption by five to eight per cent. By curing the shell surface together with stringers and ribs, the inner structures of the wing can be secured entirely without rivets on the exterior. This reduces turbulent flow over the wing and provides the desired fuel savings. Weight is also reduced, which also helps to lower fuel consumption.

This development is being conducted within the framework of the Smart Fixed Wing Aircraft project, which is part of the EU's Clean Sky initiative. The collaboration demonstrates Saab's design and production capabilities and reinforces Saab's role as an important subcontractor.

A major challenge is to scale up this technology and deliver a full-scale wing while meeting the very aggressive schedule. In early 2015, Airbus will test an Airbus A340 with Saab's 9x3 metre wing component to evaluate the technology. This is one of the main deliverables of the Clean Sky project.



Increased need to safeguard supply chains and make them more efficient

Society is becoming an increasingly integrated network society, with expanding cross-border flows of capital, energy, goods and people. The trend towards a global flow economy has increased the functional and security needs of the civil/commercial sector. It is in the interest of the international community and the major economies to maintain critical flows.

Impact and our position:

As integration between countries, economies and infrastructure systems increases, there is greater demand for efficiency and security.

Saab has progressively strengthened our position within surveillance, particularly within traffic management with the acquisition of Sensis and HITT. There is also clear development potential in the surveillance of other civil functions. Read more on pages 18 and 20–21.

Technology development

Increasingly advanced information and communication technology (ICT) underpins essentially all dimensions of society, which have become more vulnerable as a result. Advanced ICT is also of greater importance in more and more weapon systems and major investments are being made in cyber security.

Technology development is also advancing rapidly in the area of unmanned aerial systems.

Impact and our position:

ICT is an important driver behind the integration of military and commercial technology, where there is a growing overlap, especially in surveillance and control.

System integration is our core competence, which is largely a matter of integrating ICT for applications with many different functions. Read more on pages 8–9 and 14–15.

Sustainable solutions – in several dimensions

Access to energy is a critical factor in the development of living standards, national competitiveness and the ability to maintain critical societal functions, and is therefore central to both military and civil strategies. There is a wide-spread aspiration to become less dependent on undesirable, politically sensitive sources and to capitalise on the economic benefits of new technology. Another dimension is the need to reduce global environmental and climate risks and provide support when natural disasters occur. Development and security go hand in hand in this area as well.

Impact and our position:

Providing systems and solutions that safeguard important energy sources is essential for a safe society and a growing market. There is also growing interest in developing solutions with better energy performance to reduce impact on the climate and environment. This affects both the focus of Saab's development projects and the need to run the business in a sustainable manner.

Read more about our sustainability work and development projects on pages 32–43.

SAAB'S BUSINESS MODEL

OUR TECHNOLOGIES MEET MANY DIFFERENT NEEDS

The way in which Saab addresses its customers and markets has evolved over the years, from close collaboration on orders of one product by one customer to our current broad but sharply focused range and customers in many countries.

Close cooperation with customers and partners are crucial for companies within the defence and security industry, and maintaining cutting-edge technology requires extensive R&D (Research & Development) efforts. Major defence orders have traditionally included scope for some R&D financing via government defence appropriations, which has also generated a number of spin-off technologies, new businesses and jobs outside the defence industry. Over the past ten years or so, Saab has progressively increased the share of R&D financed internally via our earnings. This puts pressure on industrial efficiency, which is why continued efficiency efforts are one of the cornerstones of the strategy.

Enhanced service content and lifecycle perspective extend projects

Large defence orders often include training, maintenance, support and service and other service content, focused on functionality

and cost-effectiveness over the entire lifecycle. Functions – rather than products and systems – are being sold to an increasing extent, and certain functions can be outsourced; i.e., Saab can assume responsibility for operation. One example of this is the long-term contract Saab has with FMV: a turnkey commitment for the SK 60 flight training system under which Saab, as main supplier, is responsible for operation, repair and maintenance of all SK 60 aircraft. This involves an additional business model: the operating agreement.

Our core competence is the key to customer value

Saab is prominent in a number of key technologies, including 4CI (Command, Control, Communication, Computers and Intelligence), important to our reconnaissance and surveillance systems. Several of these have broad, flexible and increasing applications in both the military and civil markets. Focusing on this type of technology is warranted in terms of cultivating a wider market and achieving economies of scale in production.

Saab provides our greatest customer value through its core competence: systems integration – the ability to combine technologies in advanced functions and more or less customise solutions and customer applications. Some of Saab's most successful product concepts – including the Gripen fighter system and our airborne surveillance systems – are complex "systems of systems". These hold high positions in the processing chain, while also being cost-efficient. Read more about Gripen on pages 8-9.

Aeronautics	Dynamics	Electronic Defence Systems	
24%	18%	17%	
of sales. 6,076 MSEK in sales 2012	of sales. 4,779 MSEK in sales 2012	of sales. 4,276 MSEK in sales 2012	

Operations

Offers a product portfolio comprising the Gripen fighter system, unmanned aerial systems (UAS) and components for Saab's own aircraft and for passenger aircraft manufactured by others. Examples of products: Gripen and Skeldar.

Driving factors

Growth within military aviation is driven by nations that want new fighter aircraft with better performance, more flexibility and better overall economic efficiency. Civilian aircraft manufacturing is driven by growth within passenger traffic, the need to upgrade existing fleets and the need for new aircraft. Growth within civil aviation fluctuates more with the economy than does defence materiel.

Read more on page 46.

Operations

Offers a product portfolio with ground combat weapons, missile systems, torpedoes and signature management systems for armed forces. Examples of products: Carl-Gustaf and RBS 70 and RBS15 missile systems.

Driving factors

Complex conflicts, increasingly in urban environments, require new materiel systems and technology. Great demands are placed on system integration, interoperability and command and control capabilities.

Read more on page 47.

Operations

Offers a product portfolio comprising airborne, land-based and naval systems in radar, signals intelligence and self-protection. Examples of products: Giraffe AMB, Erieye and Arthur.

Driving factors

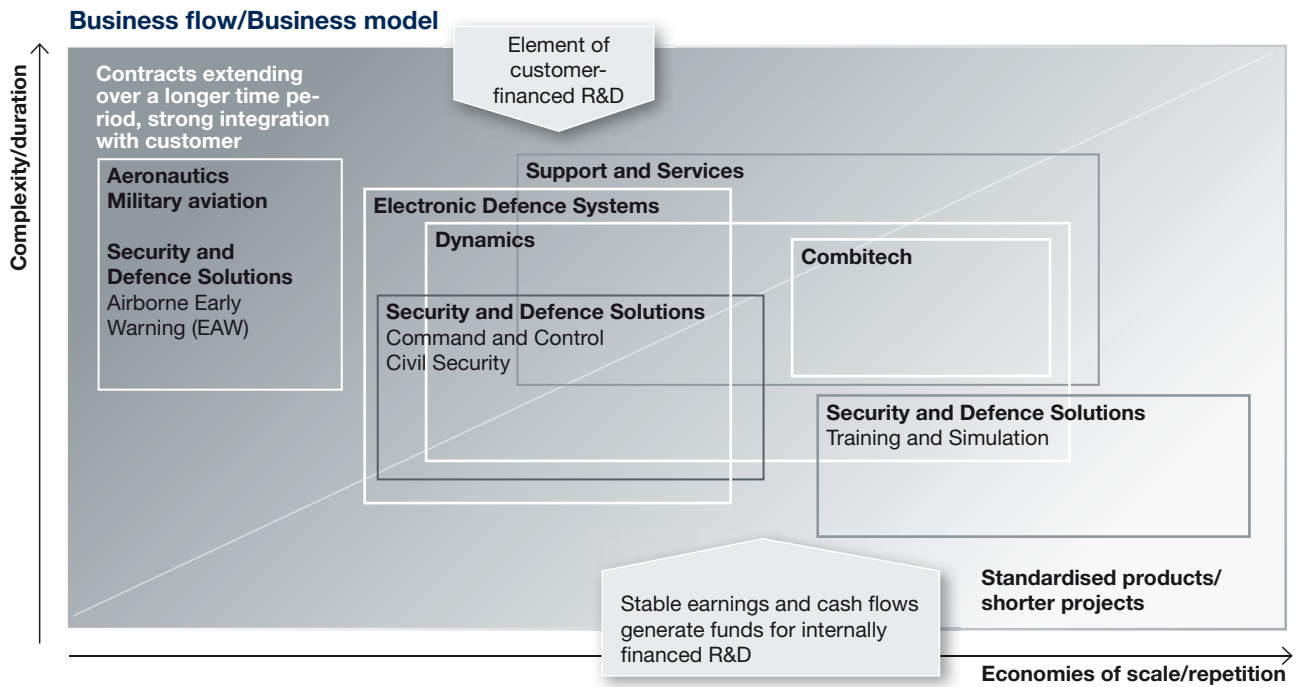
Multi-national missions and new technologies drive the need for open architecture, system integration and interoperability. There is growing interest in long-endurance solutions in which sensors and combat management are prioritised.

Read more on page 48.

Technology transfer to new home markets

During the year we defined a sales organisation with six market areas, all of which will build platforms for deeper customer relationships. The strategy is a manifestation of our goal to establish

several close customer relationships locally and thereby generate greater business flows. Often, this type of transfer is a distinct feature of the industrial partnerships that are normally part of major defence contracts.



	Security and Defence Solutions	Support and Services	Combitech
	23%	13%	5%
	of sales. 5,976 MSEK in sales 2012	of sales. 3,411 MSEK in sales 2012	of sales. 1,410 MSEK in sales 2012

Operations

Offers a product portfolio comprising command and control systems, airborne early warning systems, training and simulation, air traffic management, security and monitoring systems and communication solutions.

Driving factors

Multi-national missions and new technology are driving the need for solutions in which combat management and interoperability are highly prioritised. Investments in national security are on the rise throughout the world.

With new security threats and technological developments, there is also a growing need for training.

Read more on page 49.

Operations

Offers mainly support solutions, technical maintenance and logistics, as well as products, solutions and services for military and civil missions in locations with limited infrastructure.

Driving factors

Increased demand for effective solutions, with the customer giving the supplier the task of e.g. maintaining a system.

Read more on page 50.

Operations

Offers technical and operational consulting services.

Driving factors

Many customers are cutting back on the numbers of consultants they use, and prefer to work with larger and more comprehensive providers. The market for turnkey projects is therefore expected to increase. There is intense pressure on the market for technical consultants, especially when it comes to hourly-billed assignments.

Read more on page 51.

STRATEGIC GOALS

HOW SAAB DELIVERS ON STRATEGIC GOALS

1. PROFITABLE GROWTH

Activities during the year

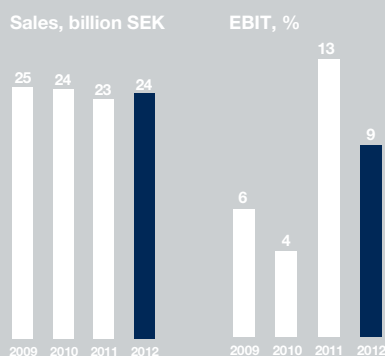
Our focus over the year has been to prepare for the new market area organisation where six market areas were established on 1 January, 2013.

Despite challenging market conditions throughout 2012, order bookings increased by 9 per cent in the year, partly as a result of larger development and support orders from the Swedish Defence Materiel Administration regarding the Gripen system. Hungary also decided to continue to operate Gripen until 2026.

We also received several large and important orders, among them our man-portable weapon system Carl-Gustaf to the U.S. Army, our surface-to-surface missile RBS15 Mk3 to Germany and an upgrade of a Combat Management System to Thailand.

Outcome/Goal Attainment

Total sales increased 2 per cent in 2012 year-on-year. Excluding acquisitions, sales decreased by 2 per cent. Foreign exchange effects had no significant impact on sales. The operating margin was 8.5 per cent (12.5). Excluding non-recurring items the operating margin was 7.6 per cent (7.5).



Priorities 2013

Ensure that the desired gearing effect is achieved from the new market organisation. This includes increasing awareness of and confidence in Saab as a business partner.

For long-term financial goals and outlook for 2013, see page 44.

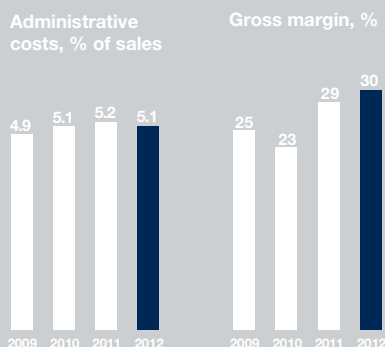
2. PERFORMANCE

Activities during the year

Continued focus on standardising the most important processes to achieve functional synergies. We have also focused on capturing synergies from acquisitions, including Sensis which was acquired in 2011. Improving efficiency within all parts of our operation is always on the agenda. Saab also created a uniform Quality and Environment certificate (ISO 9001 and ISO 14001) for operations in Sweden, South Africa and Australia.

Outcome/Goal Attainment

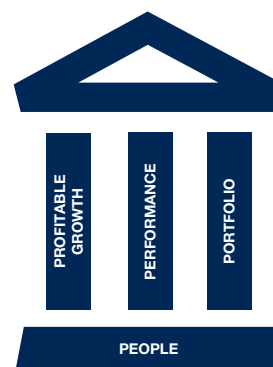
Administrative costs were virtually unchanged during the year at approximately 5.1 per cent (5.2). Marketing costs rose due to the set-up of our new market organisation. The gross margin improved to 29.9 per cent (28.5).



Priorities 2013

Efforts to reduce costs and improve efficiency at every level – from research and development to sales – will continue. This includes ensuring that all research and development projects are commercially viable and support the offering. A uniform product development process will be launched in 2013, as will international certification work in other countries, including the U.S.

Saab's four strategic priorities are profitable growth, performance, a focused portfolio and people. In 2012, we continued taking several important steps in our strategic priorities to achieve our long-term goals.



3. PORTFOLIO

Activities during the year

During 2012, a number of strategic acquisitions were made that complement the portfolio and strengthen market position. Sörman Information was acquired by Saab's independent subsidiary, Combitech, during the first half of the year. This acquisition is in line with Combitech's strategy to grow its position in the Nordic region. During the second half of the year, Combitech acquired 70 per cent of the shares in Bayes Risk Management AS, Norway, with the option of acquiring the remaining 30 per cent within 18 months.

During the year, Saab acquired HITT N.V., which primarily strengthened the position within air and marine traffic management. German company MEDAV GmbH was also acquired, strengthening our position within signals intelligence.

In India, two cooperation agreements were entered into to strengthen our local market presence.

Transactions

First half of 2012:

- Combitech acquires Swedish company Sörman Information
- Public offer to acquire Dutch company HITT N.V.

Second half of 2012:

- Combitech acquires Norwegian company Bayes Risk Management AS
- Cooperation agreement with Indian company Pipavav
- Acquisition of Germany company MEDAV GmbH
- Joint venture with Indian company QuEST Global Manufacturing

Priorities 2013

Continued investments in product development and renewal and prioritisation and strengthening of Saab's competitive position in a number of selected markets and technological specialties. Continuous mapping of potential acquisitions that complement the portfolio and strengthen our offering.

4. PEOPLE

Activities during the year

Developed management development programme based on eight leadership skills that are the foundation for successful management. A Group-wide trainee programme was introduced and efforts targeting future talent were stepped up through collaborations and meetings with lower secondary students and students at prioritised universities. Many new employees were recruited during the year. The Group-wide introductory programme, "This is Saab", was highly valuable to these efforts.

Results 2012

Key HR ratios	
Employer of choice – internally index	75 (67)
Percentage of female managers, %	22.1 (20.6)

Priorities 2013

- Further strengthen our management with a focus on business orientation, communication and employee involvement on all levels.
- Improve long-term talent management by strengthening Saab's employer offering.
- Develop and harmonise HR support from a global perspective.



PROFITABLE GROWTH

NEW BUSINESS AND STRENGTHENED MARKET PRESENCE

Saab's strategy is to focus on markets where we can achieve growth by winning market share and gaining a stronger position. Strategic acquisitions and increased local market presence are key elements of the growth strategy.

During 2012 success was achieved with the receipt of several major orders, including the Thai Navy's order for the upgrade of the combat management system for aircraft carrier H.T.M.S Chakri Naruebet. Saab is now part of the Thai Navy's three most important vessels and, through connection to the Thai Air Force's Gripen and Erieye, capacity and resources can be used more effectively.

Sweden took the decision during 2012 to acquire 40-60 next generation Gripen aircraft, Gripen E. In 2011 Switzerland announced its interest in acquiring 22 Gripen E aircraft, contingent upon parliamentary decisions. Hungary extended its Gripen contract, and FMV placed an order for maintenance and updating work on Gripen.

Several orders for Carl Gustaf, which is in demand in many strategic markets, were received. Saab's stronger position within traffic management also produced results in the form of increased sales.

Strategic acquisitions were made – Dutch traffic management company HITT, Norwegian Bayes Risk Management – and new international cooperations were established, including Pipavav and QuEST in India. Read more about acquisitions and product portfolio development on pages 20-21.

Priorities 2012

In an increasingly complex market, local presence and greater business orientation are crucial in terms of winning more strategically important business – this applies to both military and civil

security solutions. In order to achieve the goal of an average organic growth of 5 per cent over a business cycle, a new market organisation with six prioritised market areas has been established: Nordic & Baltic, Americas, Europe & Greater Middle East, Sub-Saharan Africa, India, and Asia Pacific. The new organisation has been operational since 1 January 2013.

The objective is to more effectively capture growth potential in these key markets. For customers, this means that they have access to more specialised skills and insight into the offering. At the same time, efficiency is improved through reduced duplication of work, clearer division of responsibilities and the introduction of a new, more focused business culture.

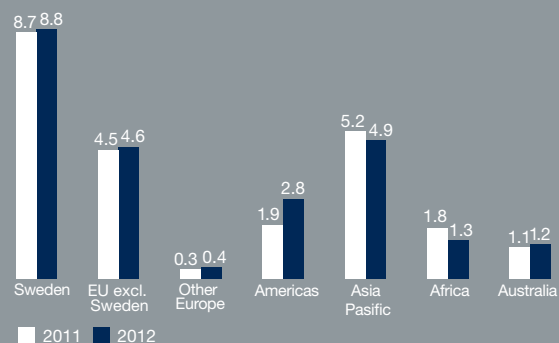
Priorities 2013-2016

Saab continuously evaluates and develops its business model and offering in order to improve growth opportunities and profitability.

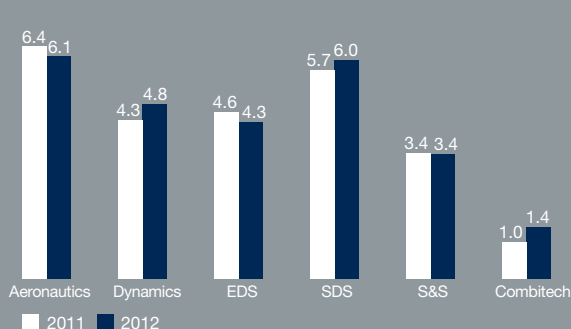
In coming years we will ensure that the desired gearing effect is achieved within the new international market organisation. Growth opportunities through acquisitions in selected geographic markets are also continuously evaluated. The goal is to further strengthen Saab's market position by running own operations in each market. In this way, new business opportunities will be generated and long-term customer relationships will be built.

Saab's customers are looking for a long-term, financially stable partner that enjoys a high degree of confidence on each market. Saab currently holds a good position based on these criteria, but will continue our efforts to increase confidence in and awareness of Saab and its operations.

Sales trend by market region, billion SEK



Sales trend by business area, billion SEK



PERFORMANCE EFFICIENCY AT EVERY LEVEL

One of Saab's most important competitive advantages is the ability to deliver the most cost-efficient solutions to our customers. Efficiency improvements are continuously being made.

Internal efficiency is tested as the company grows in new markets and through acquisitions. Streamlined governance and processes are crucial to the avoidance of built-in inefficiencies within the organisation. Over the past years, internal efficiency measures have underpinned day-to-day operations. The success of our efforts is indicated in part by the improvement of the gross margin from 28.5 per cent in 2011 to 29.9 per cent in 2012.

Priorities 2012

In addition to the development of a more efficient global market organisation work has proceeded with continuous efforts to improve efficiency and productivity in other areas of our operations. This work has been based on introducing uniform governance and process management to improve coordination, standardisation and harmonisation within the Group.

The new six market areas will create a more tangible, visible market presence. The sales process has therefore been developed to provide effective business support irrespective of the location or complexity of the business transaction.

The challenge is to develop a model and procedures that ensure high implementation efficiency – for long-term contract-based business as well as straightforward orders for in-stock products. Improvements in project efficiency improve our gross margin. Risk minimisation in combination with well-adapted, flexible project management is the cornerstone for optimising the gross margin.

To achieve the desired level of efficiency in the broad product portfolio, the products need to support each other and be usable in different systems. Efforts to streamline and complement the portfolio continued during 2012 (read more on pages 20-21).

Saab invested approximately 25 per cent of sales in research and development in 2012. Several centres of excellence have been established to ensure that each krona invested is used in the right area.

Operations in South Africa were restructured during the year due to changed market conditions. As a result, we streamlined and consolidated our on-site operations within Electronic and Defence Systems, Support and Services and Saab Systems Grintek, which is part of Security and Defence Solutions.

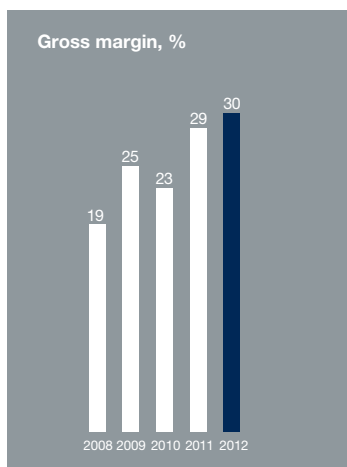
A uniform Quality and Environment certificate (ISO 9001 and ISO 14001) for operations in Sweden, South Africa and Australia was finalised during the year.

Priorities 2013-2016

To ensure preparedness to respond quickly when market conditions change, we have maintained focus on predicting, quantifying and regularly monitoring our market and risk assessments. The business support system will be further developed to support the Group and its international marketing organisation.

In order to safeguard the position as a cost-efficient player, fixed costs must be reduced and the share of variable costs increased. This will improve flexibility and the ability to adapt operations to changed market conditions.

We will continue to improve efficiency within purchasing and R&D by establishing uniform, integrated product development processes. Certification efforts will proceed in other geographic markets, including the U.S. In brief, it can safely be said that the key words for Saab's efficiency improvement efforts are standardisation, optimisation and harmonisation – in all parts of the operations – today and in the future.



The gross margin increased in 2012, partly as a result of a different product and project mix compared to 2011. The sale of aircraft in Saab's lease fleet of turboprop aircraft contributed positively to the gross margin in 2011 and 2012.

CONTINUED FOCUS AND MORE ACQUISITIONS

A prerequisite for continued success is having a market-adjusted offering at the technological forefront. Saab's strategy is that acquisitions should complement a continuously developing portfolio.

Saab is an innovative, dynamic company with a competitive product portfolio. The overarching strategy remains in place: to grow organically and through complementary acquisitions. Acquisitions made will strengthen the portfolio, produce a better system offering and strengthen international presence. A leading position was taken on the global Traffic Management market through, among other things, the acquisitions of Sensis in 2011 and HITT in 2012.

The strategy within R&D has identical overarching priorities: focus is on competitive technologies that strengthen and complement existing product platforms. Internally financed research and development represents around 5 per cent of sales on an annual basis.

Based on a long tradition of building complex systems, one of Saab's leading core competencies is integrating different systems. These systems have often been developed with fewer resources than our competitors use. The answer to this equation has been multifunctionality – i.e. systems have been built that solve more than one purpose for the customer. One example of this is the Gripen system which, in addition to fighter capability, also performs attack and reconnaissance functions. Another good example is the Giraffe radar system, which is used primarily for air surveillance but can also be used for localisation of artillery fire. The tradition within the defence materiel industry has been to construct dedicated systems for each individual purpose. Saab anticipates an increased need for multifunctional systems and believes that we will therefore have a competitive advantage by virtue of our experience and track record in constructing these systems.

Priorities 2012

During the year, the benefits of the product management process developed in 2011 became evident. Product roadmaps (i.e. a plan for the product's further development) are in place for the products' entire lifecycle. In addition to greatly improving internal governance of product development, this also provides opportunities for better dialogue with customers and thereby makes our development more market-adjusted and cost-efficient. The portfolio management was developed this year. This is a good comprehensive control tool for making decisions on which investments that should be prioritised, from both a market and profitability perspective.

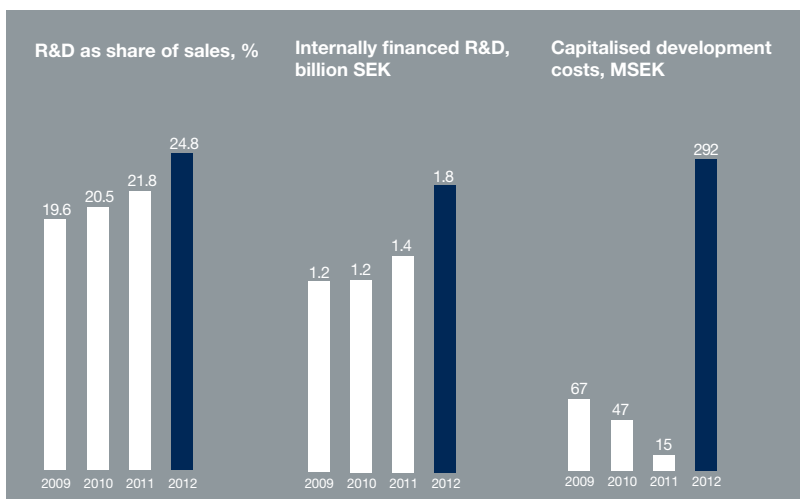
Product development is made more efficient through modularisation. Two examples of this are the development of modular concepts for ammunition for the Carl-Gustaf and AT4 systems and for subcomponents for new radar systems. This reduces duplication of work and improves cost-efficiency for us. It also lowers lead times between development and sales, thereby reducing tied-up capital.

High activity in acquisitions, divestments and new partnerships

In 2012 we acquired shares in Thai company AVIA SATCOM, Swedish Sörman Information, Dutch HITT, Norwegian Bayes Risk Management and German MEDAV. A MoU (Memorandum of Understanding) was signed regarding a strategic investment in the Indian company Pipavav Defence and Offshore Engineering Co Ltd. Also, the South African radio operations were divested and we entered into a partnership with BR Akaer.

The acquisition of HITT which develops and implements technical solutions to improve security in airport and marine environments, is in line with the overarching strategy of strengthening Saab's position in the global traffic management market.

A MoU (Memorandum of Understanding) was signed for strategic investments in the Indian company Pipavav Defence and Offshore Engineering Co Ltd. In conjunction with this, the companies signed a Technical Partnership Agreement (TPA). Both



Total expenditures in research and development amounted to MSEK 5,946 in 2012 compared to 5,116 in 2011. In order to strengthen our technology leadership and secure future offerings in current challenging market conditions, we see a continued need to invest in internally funded development going forward.

Internally funded research and development amounted to MSEK 1,798 in 2012 (1,355), of which a total of MSEK 292 (15) were capitalised. The increase of capitalised expenditures in 2012 compared to 2011 is mainly related to the development of the next generation Gripen, Gripen E.

Amortisation and write-down of capitalised development costs amounted to MSEK 590 in 2012 compared to MSEK 588 in 2011.

DETECT AND WARN – RELIABLE WORLD-LEADING RADAR TECHNOLOGY WITH MULTIPLE APPLICATIONS

Giraffe AMB is essentially an air defence radar, but it can do so much more. With radar technology developed by Saab engineers, it can detect where a rocket, for example, comes from and where it will land – all within a matter of a few seconds and with an extremely high degree of precision. This technology is used in the Arthur weapon locating system. Arthur is designed to monitor a specific sector, has a very large range and can extremely quickly and accurately detect where ballistic trajectory objects (i.e., RAMs – Rocket Artillery Mortars) are fired from and where they will land.

Giraffe AMB is a rotating radar that provides 360 degree coverage. The system provides sufficient range and precision to detect and warn of RAM threats. The system is used with great success in, for example, Afghanistan, where it is used at bases to protect the troops living there. Many lives have been saved by the system.

Sea Giraffe AMB is a naval variant of Giraffe AMB, though without a command and control system. The radar is integrated with the vessel's CMS (Combat Management System).

Arthur, Giraffe AMB and Sea Giraffe AMB share several common sub-systems. Giraffe systems are unique, and there is not yet any other product on the market with the same level of functionality and reliability. According to customers who use it, the system achieves 98–99 per cent availability.



agreements are part of the strategy to increase our presence in important key markets and offer business opportunities for large parts of the organisation.

The acquisition of the German company MEDAV – specialised in applications for signature management, mapping of communication patterns and information technology – strengthens Saab's product portfolio in radio surveillance and intelligence fusion systems.

Priorities 2013-2016

Continue to invest in product development and renewal in research and development. Sweden will continue to be Saab's largest market in terms of customer cooperation in R&D, but this procedure is also highly relevant in other geographic markets.

A shared product database will be introduced during 2013. The database contains information on existing and planned products and their roadmaps. It will also support a more structured packaging of Saab's product offering, which will in the long run reduce planning costs and improve the quality of offers (thereby reducing the risks associated with project implementation). Gathering everything in one system creates internal orderliness and also provides the sales organisation with solid support in its dialogue with customers.

Continue to work closely with customers to further refine product development plans, which will enable us to offer the most cost-efficient solutions. With increased local presence, Saab will come closer to its customers and be better able to anticipate their future needs.

Future acquisitions will, as before, strengthen our competitiveness and offering in system integration.

Collaboration with academia (Swedish and foreign research institutions and universities) remains important. Participation in research projects are linked to long-term product plans, which also provides access to crucial leading-edge expertise.

A new feature of academic collaboration is "export of the Swedish innovation system". When projects worth several billions are marketed, purchasing countries often want to link these

transactions to extensive counter-purchase requirements. One new development is that they often want to link up local research and development with these requirements. Together with Swedish universities, the Royal Institute of Technology, the University of Linköping and Chalmers, the Swedish cooperation model is exported (often dubbed "triple helix": industry, academia and the public sector in collaboration). One good example of this is the Swedish-Brazilian research and innovation centre established in Sao Paulo to foster R&D collaboration between industry and academia in both countries.

Saab Ventures

Some of Saab's development projects result in product ideas that fall outside the core areas. These projects have been consolidated in a corporate portfolio, where Saab Ventures' role is to initially drive and develop the businesses together with other co-investors before finding a natural home for each company. Saab Ventures' other purpose is to find and invest in small, rapidly growing companies that could eventually complement Saab's core portfolio. In 2012, virtual training and simulation businesses were acquired from ISD Technologies AB through an asset deal. The acquired businesses are now part of Saab Training Systems. New investments were made in C-leanship Aps and a few interesting feasibility studies.

Corporate portfolio

Company	Specialisation	Ownership interest, %
C-leanship Aps	Hull Cleaning Vehicles	38
Cold Cut Systems AB	Cutting Fire Extinguisher	29
Minesto AB	Tidal Energy Solution	14
Protarius AB	Mobile Ballistic Protection	5
Wrap International AB	Spectrum Management	23



THE MOST CUTTING-EDGE EXPERTISE – TODAY AND TOMORROW

Saab faces tough competition – especially in terms of retaining and attracting employees that can develop the business. The goal is to be a company where the values expertise, trust and drive characterise everything that is done.

Saab is an international high technology company with a long tradition of understanding and anticipating the market's needs for military and civil security solutions. Today, around 14,000 employees have joined us to develop our offering and our company.

Focus on gender diversity has produced results and attracted attention in many ways. The goal of 30 per cent female senior executives is close to being realised. Recognition is also given on a regular basis from external players. Veckans Affärer named Saab the year's best workplace in terms of gender equality. Deputy CEO, Lena Olving, came second in the list of Sweden's 125 most powerful women. Gunilla Fransson, head of Security and Defence Solutions, and Marie Bredberg, head of Combitech, also made the list.

It is part of the day-to-day life of Saab employees to develop close cooperations with customers and other stakeholders. This also applies to efforts to improve gender equality in the workplace. One example of this is Saab's participation in the Battle of the Numbers, a collaborative project with the Chef magazine and the Wiminvest organisation. The goal of this initiative is to move from words to action in terms of getting more women into operational and decision-making positions.

Priorities 2012

The goal is that Saab will be the natural choice for existing and future talent. With a structured, concentrated procedure, we work to identify and develop our talented people and prepare them for the challenges and the exciting future ahead of them.

We put extra focus this year on developing the Talent Management process to ensure well-functioning succession planning for our managers. The goal is that, for each management position, we should be able to name a minimum of four people – at least one of whom is a woman and at least one of whom comes from another part of the Group. Saab's various management groups hold seminars on succession planning in order to identify talents within their respective organisations.

Modern leadership in a complex world is a perishable commodity that must be constantly developed in terms of both managing people and managing business. We therefore launched a new global Management Development concept for both new and experienced managers, based on our eight management skills which serve as the basis of successful leadership. It is a modular system with areas covering strategy, economics and finance, market, change management, communication and business culture, as well as modules on individual leadership. In 2012, a total of approximately 230 Saab managers from Sweden, Europe and the U.S. participated in the programme.

As part of efforts to attract new talent to Saab, we introduced a Group-wide trainee programme in 2012. The programme runs over 12 months and gives 16 trainees a comprehensive, accelerated introduction to Saab's various businesses and organisations. The trainee period in Sweden is interspersed with several training sessions in business skills and personal development. The programme concludes with a two month overseas internship.

Priorities 2013-2016

Saab will continue to develop leadership, with the goal of achieving a more business- and performance-oriented culture throughout the entire operation.

Talent management remains central, and we have prepared a strategy to further strengthen Saab as an employer brand. Goals include that employees view themselves as ambassadors for the company and that potential employees have a clear, accurate picture of Saab as an employer.

Diversity efforts and talent management will continue to receive as much attention as they have done.

Our employees have had their say – Saab is an attractive employer with proud employees who believe strongly in the future.

Nearly 90 per cent of Saab's employees took the opportunity to respond to this year's employee survey. This indicates commitment and the desire to contribute to positive development. The survey results show a strong improvement in areas related to Saab as an employer, belief in the future and satisfaction. The "satisfaction" result was 75, a full 8 point improvement over last year. Employees also feel that they contribute to Saab's development and working climate. Employees want to see improvement primarily in the form of managers involving employees to a greater extent in the development of the business, as opposed to merely providing information. This will be a prioritised area in Saab's leadership development. When using their own words to describe the qualities that make Saab a good employer, there is consensus among employees that they are proud of our products, our skilled employees and our long, compelling history. All in all, we have an excellent foundation that we will now expand upon in order to cultivate our valuable human capital. This includes all managers picking up on and following up on each individual employee's development potential.



Engineer making a career at Saab

Jessica Öberg, Deputy Head of Land Division within the Support and Services business area, launched her career at Saab by moving to the U.S. to work as a consultant. She returned home to Sweden three years later, firmly convinced that Saab was where she wanted to pursue her career. – Tomorrow’s employees are looking for employers that have a modern mind-set in terms of professional development, diversity and gender equality. Thanks to our Talent & Management Review and our mentorship programme for women at the start of their careers, I am confident that we will succeed in attracting both women and men who possess the right skills.



Speed and flexibility secured key skills

Combitech’s new development centre in Trollhättan was opened on 12 June 2012. The centre offers complete development projects within Nordic industry, including the aviation and automotive sectors, and the goal is that the centre will employ over 200 employees.

With hand-picked engineers – most of whom come from Saab Automobile – and expertise in areas including virtual product development in the aviation and automotive industries, the centre can offer development services from idea to industrialisation. Many of the employees have worked together previously, which has facilitated expedited take-off and cost-efficient, high-quality solutions.

The development centre is an opportunity to benefit from the outstanding engineering skills available in Trollhättan. Saab is a customer of the centre and parts of Gripen’s structural design are being done on-site. Extensive aviation development skills were transferred to the centre over a period of just a few months during 2012.



“Saab has fresh wind beneath its wings” – Lena Eliasson, new Senior Vice President and Head of Group Human Resources, also nominated for 2013 Employer Branding person-of-the-year award

– From the moment I started at Saab, I felt an extraordinary amount of energy. We all want to move ahead and develop, and there is so much positive energy here.

We care about our employees. Our philosophy is that every individual should have a development plan. Feeling stimulated and having the opportunity to grow are of first and last importance in terms of doing a good job. Saab has many training collaborations for all levels. The key to reaching young talents, according to Lena, is to focus on the future. – We have projects in grade schools aimed at getting kids interested in technology. We have many initiatives that target students – everything from trainee programmes to thesis and summer job offers – but we are also very particular about getting out and meeting the talent. It’s the face-to-face meetings where we can show everything that Saab is. To fill our future recruitment base, we have to think in the long term.



“Future employees meet opportunity at Saab” – one of many student meetings aimed at forming relationships and increasing awareness.

To present Saab as an attractive employer to students at the Institute of Technology at Linköping University, 150 budding engineers were invited to a “Saab evening” in Linköping.

Invitees hailed from many different specialisations and courses of study. During the evening, they attended a presentation of Saab as a company, received detailed information on the operations and Saab’s different business areas and heard several reports on what it’s like to work at Saab. Several of Saab’s products and simulators were also demonstrated – and to simplify things as much as possible for the visitors, they were bussed from the university to Saab.

– I’m interested in working with product development and am looking forward to learning more about Saab’s different areas, said Johan Järvenhag as he took a seat next to the Skeldar model, which attracted many curious glances during the evening.

OLD FAITHFUL AND INNOVATIONS



A HIGH-TECH MASTERPIECE WITH MULTIPLE USES

Sapphires is Saab's autonomous underwater vehicle AUV 62, developed by Dynamics. The unmanned vehicle is used for everything from mine reconnaissance to locating accident victims. Sapphires is currently available in two configurations: one for locating mines on the sea bed and one for anti-submarine training operations with the Navy.

The vehicle can be launched from submarines, surface vessels and ports, and its unique sonar technology provides highly detailed information on sea bed topography and any objects that may be resting on the ocean floor. Sapphires is also fully autonomous – all data is processed directly in the vehicle, providing information on a search area and directions for operational depth. Sapphires then conducts the search entirely on its own.

There are many possible future areas of application for Sapphires: it can be used in all marine patrol contexts, from environmental monitoring to monitoring gas and oil pipelines on the ocean floor.



WHEN STABILITY IS VITAL

Stability is vital for missiles, sights, antennas, radar and cameras so gyros are used to ensure stabilisation even under the toughest conditions. In simple terms, our applications generally measure how fast something is rotating, in order to be able to compensate for movement. Saab has over 40 years of experience in manufacturing gyros. The last ten years have focused on designing and manufacturing gyros based on fibre-optic technology, FOG (Fibre Optic Gyros). In total, Saab has produced over 350,000 gyro products for various applications.

The gyro is a central and important part in the many of the products produced by Saab and others, including helicopters, aircraft, robotic systems, tanks and missiles. Saab's gyro technology is also used in high-performance civilian applications, such as for advanced cleaning robots for swimming pools and waterslides. However, it is not the stabilisation that is most important, but navigation.



NEW MILESTONE FOR CARL-GUSTAF IN 2012

For over five decades, Carl-Gustaf has been modernised and adapted to continually address new requirements.

Carl-Gustaf M3 is a multi-role portable weapon system that can be used with various types of ammunition, depending on the mission and situation. The system offers very high operational reliability in all possible conflict situations. It is handled by two people, with one firing the recoilless rifle and the other carrying ammunition and loading the system. The versatile 84 mm ammunition has several applications: anti-armour, anti-structure and support.

It is often considered to be the world's most modern and effective ground support weapon system and each new model attracts more customers. Carl-Gustaf M3 has been sold to over 40 countries.

The U.S. Army clearly approved of the system's reliability and capability when it for the second time ordered the 84 mm recoilless weapon system in 2012. After having long been used by U.S. Special Forces, it is not until recently that the weapon system has been used by the U.S. Army in its regular infantry operations.



CASE

MULTIPLE HOME MARKETS AND INTEGRATED OFFERINGS

We strengthened our offering, our portfolio and our local presence during 2012 with several strategic acquisitions and new alliances in key markets.

Stronger market position and broader product portfolio within traffic management



The acquisition of HITT N.V. is in line with our strategy to become a leading global player within air and maritime traffic management. Our product portfolios complement each other and are based on a shared philosophy: to make traffic flows safer and more efficient, both in the air and at sea.

HITT develops and implements technical solutions to improve security in airport and marine environments. Customers include ports and maritime authorities in Europe, North America, Asia and Australia as well as airports and air traffic service suppliers in Europe and Asia.

The acquisition strengthens Saab's position in growth markets such as China and India, and creates a solid platform to develop, sell, deliver and maintain leading products globally.



Enhanced cooperation in Brazil

Brazil is an important market for Saab. We therefore enhanced our cooperation with Akaer during 2012. Saab and Akaer have been partners since 2007, when Akaer did some design work for Gripen NG.

The companies can now generate synergies and meet the aviation market's need for cost-effective solutions. Through our cooperation, we are also able to be part of Brazil's aerospace and defence programme.



Czech solutions for a broader market

Our facility in Slavkov in eastern Czech Republic has unique expertise in the field of virtual simulators. The strategy of focusing on internal research and development is also based on marketing supported by Saab's entire market organisation to achieve success in global markets.

In addition to 14 Gripen aircraft leased by the Czech Republic from Sweden, Saab delivered Live Training Systems, camouflage equipment, communication networks and security solutions to the Czech Army.





2012 Olympic Games in London

The eyes of the world were focused on London during the summer of 2012. Thanks to our Giraffe surveillance system, athletes and spectators could be sure that no unwelcome visitors would be approaching by air. Giraffe, named for its extendable mast, can detect airborne objects within a 100 kilometre radius.



Strategic cooperation in India

Due to our strategic cooperation with the Indian company Pipavav Offshore and Defence Engineering Ltd (Pipavav), we have a strong partnership and a solid platform for business in the Indian market.

Pipavav is one of India's private players in the naval sector and aims to grow within other defence areas as well. The two companies previously formed the joint Combat System Engineering group, which analyses design and architecture for naval combat systems. We are also exploring next generation command and control systems for the Indian Navy and Coast Guard.



Full-service facility in east Africa

In troubled areas, critical infrastructure must be safeguarded and medical care is vital for society. We have a solid track record in working with the international community and over the years have developed a unique ability to provide services in complex conditions.

As part of maintaining UN peacekeeping efforts, UN missions are mandated to deliver various logistics solutions vital to the execution of the mission.

Since 2010 Saab has been commissioned to set up and maintain a service centre. This offers preventative and reparative maintenance, user training and technical staff, maintenance planning and documentation, as well as inventory management.



Important order for security system in New Zealand

In 2012, Secure-Future ordered a security system for a new correctional facility at Wiri in southern Auckland, New Zealand. The contract comprises the design, construction and maintenance of security systems in Wiri. Approximately one-third of the contract value covers design and construction, which will be performed during the 2012-2015 period. The remaining contract value covers system maintenance work over the subsequent 25 years.



This is Saab's second project in the Australia-New Zealand region for the delivery of security systems for critical infrastructure. Local presence is required to conduct system maintenance on the installed systems.

GEOGRAPHIC AREAS

SAAB - AN INTERNATIONAL SECURITY GROUP

Saab is an international group with operations on every continent. In recent years, we have sharpened our market focus with an aim to strengthen our local presence while increasing sales and market shares. In 2012, approximately 64 per cent of sales and 57 per cent of order bookings were generated outside of Sweden.

SWEDEN

Saab's position

Sweden has been our largest market since Saab was founded. Today we have approximately 11,100 employees and the majority of our research and development in the country. Orders and sales increased slightly year on year in 2012.

Market trends

Sweden is expected to increase its defence budget slightly in the coming years. In 2011 Sweden's defence spending accounted for approximately 0.4 per cent of total global defence spending. In 2012 Sweden decided to invest in the development of the next generation Gripen and to procure 40-60 aircraft of this type.

Investments in civil security are expected to continue to rise in this area.

REST OF EUROPE

Saab's position

Saab has operations in all Nordic countries and in several other countries in Europe. Important markets are the UK, France and Germany. Today we have about 800 employees in the rest of Europe. Orders increased by 34 per cent year on year in 2012 and we received orders for tactical training systems from the British armed forces. Sales increased by 4 per cent.

Market trends

Denmark, Finland and Norway are expected to increase their defence budgets in the coming years. In 2011 defence spending in the area accounted for approximately 1.2 per cent of total global defence spending. The rest of Europe, where defence budgets declined in light of the financial situation, accounted for about 21 per cent. The UK, Germany and France all reduced their defence spending year on year in 2011. Together, these three countries accounted for approximately 9.9 per cent of total global defence spending in 2011. Defence appropriations are expected to decrease in the coming years in the rest of Europe.

Investments in civil security are expected to continue to rise throughout this area.

AMERICAS

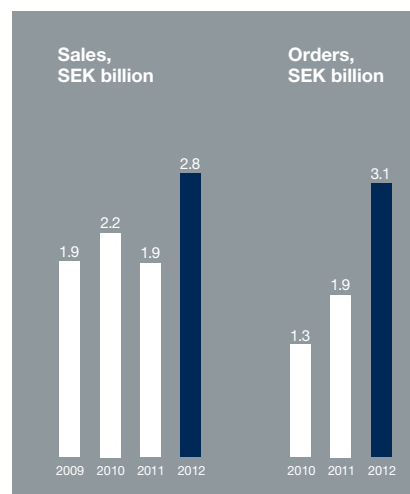
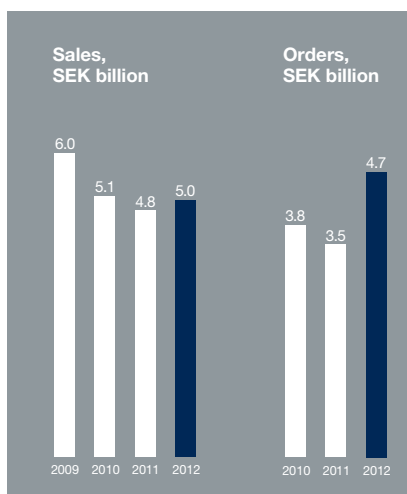
Saab's position

In 2011 Saab strengthened its position through the acquisition of Sensis. Saab today has about 800 employees in the Americas. Orders increased in 2012 by 69 per cent, and orders received included those for portable weapon system Carl-Gustaf and the next-generation laser-based training system for U.S. Army combat vehicles. Saab also signed a memorandum of understanding with the Inter-American Development Bank for projects that offer financing to Latin American cities to promote sustainable development. Sales increased by 46 per cent.

Market trends

In 2011 the Americas accounted for approximately 42 per cent of total global defence spending, equivalent to about USD 690 billion. In Latin America, Brazil, which is one of the stronger economies, accounted the largest share of defence spending. In terms of the world's total defence spending, Brazil accounts for approximately 2.0 per cent. Defence appropriations declined year on year in 2011 throughout the area, and are also expected to decline in coming years.

Investments in civil security are expected to continue to rise throughout this area.



AFRICA

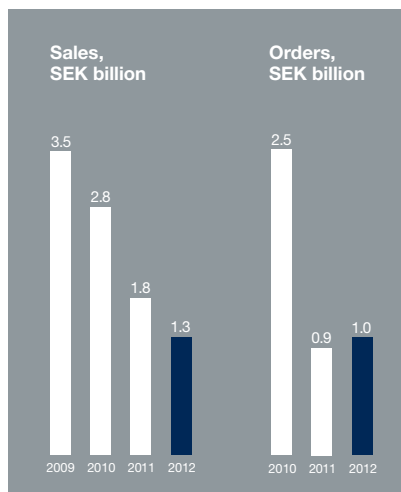
Saab's position

Saab has operations mainly in South Africa, but also has smaller operations in other countries on the continent. Today we have approximately 800 employees in Africa. Orders increased by 10 per cent year on year in 2012. Sales decreased by 25 per cent.

Market trends

In 2011 the African continent accounted for approximately 1.9 per cent of total global defence spending. This is slightly more than in 2010.

Spending on both defence and civil security are expected to increase in coming years.



ASIA, MIDDLE EAST AND AUSTRALIA

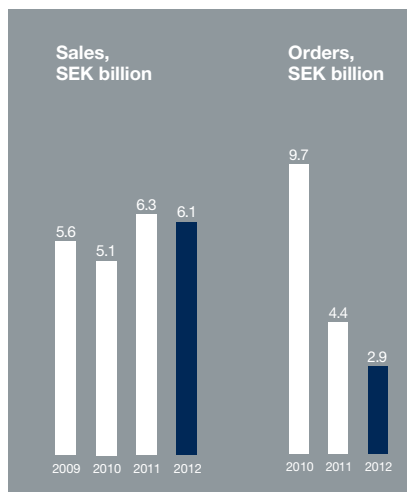
Saab's position

India and Thailand are major markets for Saab in this region. For many years, Saab has also maintained operations in Australia, with local presence, particularly in control and command systems, and we are expanding in traffic management systems and security. In total, we currently have approximately 400 employees in Australia. Parts of the Asian market are not accessible to Saab for political reasons. In 2012 orders decreased by 33 per cent year on year. We received an order from Thailand for an upgrade of the combat management systems in two frigates, and an additional contract for Carl-Gustaf from Australia. Sales decreased by approximately 3 per cent.

Market trends

The entire region is expected to increase its defence budgets in coming years. In 2011 defence spending in the area accounted for approximately 27 per cent of total global defence spending, with India accounting for approximately 10 per cent, Australia 5 per cent and Thailand approximately 1 per cent. After China, SIPRI (Stockholm International Peace Research Institute) estimates that Japan is the country that has the largest defence expenditure in the region.

Investments in civil security are expected to continue to rise in this area.



Rank	Country	Defence spending, USD billion	Share of GDP	Global share, %
1	USA	711	4.7	41
2	China	143*	2.0*	8.2*
3	Russia	71.9*	3.9*	4.1*
4	UK	62.7	2.6	3.6
5	France	62.5	2.3	3.6
6	Japan	59.3	1.0	3.4
7	India	48.9	2.6	2.8
8	Saudi Arabia	48.5	8.7	2.8
9	Germany	46.7*	1.3*	2.7*
10	Brazil	35.4	0.5	2.0
11	Italy	34.5*	1.6*	2.0*
12	South Korea	30.8	2.7	1.8
13	Australia	26.7	1.8	1.5
14	Canada	24.7*	1.4*	1.4*
15	Turkey	17.9*	2.3*	1.0*
	Others	313		18
	Total	1,738	2.5	100

Source: SIPRI yearbook 2012. * Estimates by SIPRI.

MARKET SEGMENTS

A CHANGING SECURITY MARKET

DRIVERS

AIR

Annual sales in the market segment for unmanned aerial vehicles are expected to grow from approximately SEK 315 billion to over SEK 450 billion in the next ten years. The UAV market is expected to grow from approximately SEK 50 billion per year to almost SEK 90 billion over the same period.

Growth is driven by nations that want new, more modern fighter aircraft with better performance.

Alliances and political factors affect the market.

Global economic turbulence has delayed a number of procurements.

Demands to reduce defence spending are making performance and life cycle costs more important.

Military aircraft are increasingly used in multinational operations on extended flights over long distances.

New types of military operations and technology are driving demand for training and education, often as part of multi-year turnkey commitments.

LAND

Land combat is a broad segment and one of the fastest growing areas of the military market in recent years. Following adjustments to priorities in defence appropriations in the West in recent years, growth is expected to be slower in the coming years.

Complex conflicts, often in urban environments, require new strategies, materiel systems and technology. Reduced operational needs and tight budgets are expected to result in lower market growth in the next five years. Many countries are investing in upgrades and further development of existing materiel, rather than major system changes. That means the accumulation of a substantial need for materiel replacement beyond 2015.

The increase in multinational missions requires cooperation between different countries' forces and different types of forces. Higher demands are being placed on system integration, interoperability, and command and control capabilities. As security threats grow, so does the need for training.

OUR POSITION

We offer fighter systems, air C4I solutions, unmanned aerial vehicles, countermeasures and electronic warfare, avionics solutions, weapon systems, sensors, training solutions and aftermarket services. Gripen is a competitive single-engine fighter currently in service in five countries. During the year, Sweden took the decision to procure the next generation Gripen, and a cooperation agreement was concluded between Sweden and Switzerland. Our sales totalled MSEK 9,283 (10,611).

We have leading positions in many segments of this market and offer, among other things, tactical weapon systems and highly sophisticated surveillance and command and control systems (C4I) as well as solutions for troop protection. Our offering includes sensors, signature management and countermeasures, reconnaissance and air defence systems, training and logistics solutions and support weapons. Our sales totalled MSEK 7,997 (7,201).

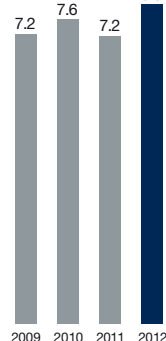
Sales, SEK billion



39%

Share of total sales.

Sales, SEK billion



33%

Share of total sales.

NAVAL

The naval market is stable with growing demand for expeditionary and coastal capabilities.

More than 90 per cent of global trade is transported by sea, which has made the protection of trade flows increasingly important.

For navies and coast guards, the trend is toward broader-based industrial commitments with greater demand for integration and lifecycle solutions.

International alliances make the ability to act far from home more important.

There is growing interest in long-endurance ships with smaller crews, where sensors and combat management are the highest priority.

Public-private partnerships are becoming more common.

An extensive naval build-up is under way in the Middle East and Southeast Asia (mainly China).

CIVIL SECURITY

The civil security system market currently generates slightly over SEK 450 billion a year and is anticipating annual growth of 7 per cent, divided between protection for borders, ports, energy systems, airports and different management and communication systems for rescue services and police.

Growth is being driven both by new laws and by the realisation of how costly disruptions to society's various functions can be.

Investments in national security to protect people, critical facilities and economically important flows of goods, information, financial transactions and people are increasing around the world.

The continued growth and increased complexity of large cities is placing tougher demands on sustainability, flow efficiency and interoperability.

COMMERCIAL AERONAUTICS

The total market is growing by an estimated 5 per cent per year. For new commercial aircraft, the market is estimated at SEK 600 billion annually.

Growth fluctuates greatly with the economy, with commercial carriers currently in a recovery phase.

The market is exposed to the U.S. dollar and exchange rates.

The industry is capital-intensive with long development cycles and has consolidated into oligopolistic structures.

New players, especially from China, are challenging Boeing of the U.S. and Europe's Airbus in the market for large aircraft.

High fuel prices and new environmental requirements are strengthening demand for fuel-efficient aircraft models.

Subcontractors continue to face price pressure.

Delivery volumes are increasing significantly as new aircraft such as the B787 and A350 are introduced on the market.

New aircraft models contain larger modules than before, with systems content integrated into the structure.

We have a strong position in radar and early warning, command, control and communication systems (C4ISR), tactical weapons and underwater systems. Our sales totalled MSEK 2,569 (2,065).

Our civil security offering is focused on monitoring and situational control as well as ensuring efficient flows, with an emphasis on airports and air travel, ports and shipping, and emergency response planning. Saab also has a good offering in monitoring systems for prisons and remand centres. Our position is good in Sweden, Central Europe, the U.S. and Australia. During the year, our position within ATM was strengthened through the acquisition of HITT. Our sales totalled MSEK 1,837 (1,479).

Saab is a supplier to leading international aircraft manufacturers, including Boeing and Airbus. We supply mainly lightweight high-strength aerostructures, avionics and operating systems, structural and system integration, and support solutions. Saab has experience of more than 4,000 aircraft builds. Moreover, there are still approximately 400 Saab 340/2000 aircraft in operation around the world, for which we provide maintenance. Our sales amounted to MSEK 1,477 (1 309).

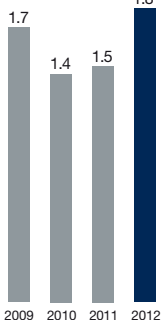
Sales, SEK billion



11%

Share of total sales.

Sales, SEK billion



8%

Share of total sales.

Sales, SEK billion



6%

Share of total sales.

SUSTAINABILITY AT SAAB

RESPONSIBILITIES IN A COMPLEX WORLD

Saab has ambitious goals to be an active, present and responsible partner in society.

We have worked for many years with priority issues within ethics, the environment, society and responsible employership. We also have ambitious goals for diversity and reducing our environmental impact, and business ethics high on our agenda. Our work with priority issues supports our overall strategy and our long-term goals.

In 2011, Saab adopted the UN Global Compact, a strategic initiative and practical framework with ten principles in the areas of human rights, labour, the environment and anti-corruption. We have included the framework in our own ethical rules, and we work continuously to comply with these principles at all times.

Recognitions 2012

Our efforts received some recognition in 2012. Swedish magazine *Veckans Affärer* named Saab Sweden's best workplace of the year from a gender equality perspective. Three women in management positions were also ranked among the 125 most powerful women in Sweden. For the sixth consecutive year, Saab was one of the top companies in the Carbon Disclosure Project (CDP) Leadership Index. We were also highly ranked on Transparency International's Defence Companies Anti-Corruption Index with a score of 77.9 per cent, which demonstrates that we actively work to combat corruption.

Strict Swedish export regulations

Saab only exports defence materiel to customer-countries that are approved by the Swedish Agency for Non-Proliferation and Export Controls (ISP). Each individual business transaction always includes a clear end-use commitment. This bilateral agreement between the Swedish government and the recipient country's government prohibits resale in the absence of express permission by the Swedish government, through ISP. In the event defence materiel is resold in contravention of the end-use commitment entered into by the parties, the matter is handled in accordance with prevailing practices between the countries. The end-use commitment process is the generally accepted international practice. For Saab, it is of utmost importance that end-use commitments entered into are always complied with and that our products are not resold on the black market or to unauthorised recipients.

Global regulations for trade

Saab believes that it is important to develop clear, global regulations for trade with defence materiel. Since 2006, work has been underway at the UN to create a global treaty, the Arms Trade Treaty (ATT), to achieve this objective. The ATT is intended to negotiate regulations for the producing and exporting countries, as well as the importing countries. All 193 member states participate in these negotiations.

In the years since the UN resolution from 2006, the process has progressed with the objective of an agreement being in place during 2012. At its 67th session in October of 2012, the UN General Assembly discussed a globally binding agreement for regulation of legitimate trade with conventional weapons. At this session, it was decided by a clear majority that the process would continue with a new round of negotiations in March of 2013. Saab is very favourable to the UN process and is actively participating in this work.

Stakeholder dialogue

A close and comprehensive stakeholder dialogue is an essential factor in creating favourable conditions for responsible business activities. This entails anticipating stakeholder needs and expectations in order to generate long-term, successful development for our business. Saab's primary stakeholders are customers and partners, employees, shareholders and the communities in which we are active.

Customers and partners expect Saab to offer cost-effective solutions designed according to their specific needs. They are looking for business relationships that can evolve over time and that are based on mutual trust. And it goes without saying that we shall have the same views in terms of complying with prevailing regulations, international agreements and good business ethics.

Our employees expect Saab to be an employer that makes good use of their skills while also offering advancement opportunities.

Our shareholders expect consistently high returns. They also expect Saab to be transparent in its communication with the capital market.

Society at large expects the business to be run responsibly. This includes responsibility for the environment and the contribution of Saab's operations to positive community development on the local and global levels.

Stakeholders:

- Owners
- Employees
- Potential employees
- Swedish politicians and regulators
- EU level politicians and regulators
- Worldwide customers and politicians
- Swedish as well as worldwide public and media
- Business partners and potential partners, suppliers
- NGO potential partners, particularly UN
- Investors and analysts
- Trade associations

We are strengthening Saab's commitment

We formed the Corporate Responsibility unit in 2012, an initiative aimed at further strengthening and impacting the level of responsibility taken by the company in a complex world. Our Corporate Responsibility strategy initially includes a framework of commitments for achieving business success in a responsible way. We will deliver sustainable value to our customers and business partners, employees, shareholders and society at large. Our commitment is founded on four cornerstones: Ethics, Society, Environment and Our People. Ethical issues are governed with great respect and we strive to set an example within the industry. We want to take an active role in the communities we serve through financial and social investments. Young people and technology are our primary focus, and we collaborate with about 50 schools and universities. A permanent task force, capable of making proactive humanitarian efforts on short notice in the event of disasters, was established during the autumn of 2012. In the environmental area, we are continuously working to reduce our environmental impact in everything we do related to products, services and production. Our employees are our most important asset and, as a responsible company, we ensure that we can retain and attract new employees.

The way forward

It is essential that our sustainability work is clearly integrated with our operating activities. We have initiated an internal and external dialogue to further integrate priority issues with our operations and create a uniform, comprehensive view of our commitment.

The results of these dialogues will form the basis for a clear, overarching target and key ratios for each commitment area. These will be monitored on a regular basis to ensure that our actions are in accord with the expectations placed on us in a complex world.

Marie Trogstam

Vice President
Head of Corporate Responsibility



Saab's commitment

We have defined our responsibilities in a complex world within four areas: Ethics, Society, Environment and Our People.

SAAB'S RESPONSIBILITIES IN A COMPLEX WORLD

ETHICS	Saab strives to be an industry leader by setting an example and following the highest ethical standards.
SOCIETY	Saab makes a positive contribution to society by making financial and social investments that help young people fulfil their potential and by meet emergency needs caused by disasters.
ENVIRONMENT	Saab works to reduce the environmental impact of its products, services and operations and, to an even greater extent, identify solutions to environmental issues through innovation.
OUR PEOPLE	Saab brings together people with a variety of skills, experiences and ideas to create an inspiring and welcoming workplace and become the most attractive employer.

SUSTAINABILITY AT SAAB

CLEAR RESPONSIBILITY AND CONTINUAL FOLLOW-UP

Overall responsibility for sustainability work rests with the board of directors, which via the CEO and other members of the management group, ensures that the strategy and work for achieving the company's strategic objectives is in place and integrated into everyday operations.

CORPORATE RESPONSIBILITY



Our Values

EXPERTISE

We combine a strong history of knowledge with constant learning.

TRUST

We are global citizens, honest and reliable and we keep our promises.

DRIVE

We have a passion for innovation, we are open to change and we are committed to being fast and flexible.



Saab affiliated with the UN's Global Compact

The UN's Global Compact is an initiative with a strategic and practical framework for companies that have undertaken to apply sustainable business methods in their operations through ten generally accepted principles within the areas of

human rights, labour, the environment and anti-corruption. Since its introduction in 2000, more than 7,000 businesses and 3,000 non-commercial participants around the world have joined the network.

Saab has been affiliated since 2011 and has included the framework in our Code of Conduct. The following is a brief summary and some examples of practises.

The Code of Conduct in its entirety is at www.saabgroup.com.

UN Global Compact

HUMAN RIGHTS	
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights; and
Principle 2	make sure that they are not complicit in human rights abuses.
LABOUR	
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
Principle 4	the elimination of all forms of forced and compulsory labour;
Principle 5	the effective abolishment of child labour; and
Principle 6	the elimination of discrimination in respect of employment and occupation.
ENVIRONMENT	
Principle 7	Businesses should support a precautionary approach to environmental challenges;
Principle 8	undertake initiatives to promote greater environmental responsibility; and
Principle 9	encourage the development and diffusion of environmentally friendly technologies.
ANTI-CORRUPTION	
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.

Saab Code of Conduct and some examples

<p>Saab has taken a clear position and global responsibility against violations of basic human rights such as child labour and other abuse of people and the environment. We contribute by promoting social development and consequently human rights by promoting the right to education for children, youths and adults. Disaster assistance and systems in the product portfolio for civil security are additional examples.</p>
<p>Saab defends the right to organise and participate in trade unions. We respect the freedom of association and all employees' right to organise or join employee organisations, as well as the right of employee organisations to collectively negotiate. Diversity is a prerequisite for success and all discrimination is prohibited. We do not tolerate bullying or other physical or verbal acts of an abusive character. Decisions that concern employment, promotions, development and compensation shall be based on the employees' job knowledge and competence.</p>
<p>Saab works actively with minimising environmental impact. Protecting the environment is a natural aspect of Saab's everyday operations, both in community and through technology and our products.</p> <p>Knowledge is an important factor and all employees are expected to contribute to a sustainable environment.</p> <p>Read more about this on pages 38–39.</p>
<p>Saab has zero tolerance with regard to all forms of bribes and corruption. We neither offer nor accept gifts and hospitality that are improper. Our undertaking is to conduct ourselves in an ethically correct manner in everything we do, in compliance with applicable legislation, our values and ethical rules, as well as branch-wide codes of conduct.</p> <p>Read more about this on page 36.</p>

ETHICS

AIMING TO SET AN EXAMPLE

Saab's Code of Conduct sets forth guidelines that define how we are expected to act with each other as colleagues, in contacts with our customers and in our communities. We have a zero tolerance policy with regard to violations of any kind.

Saab will be a trustworthy and reliable partner that promotes an open and transparent market. We are committed to acting ethically in everything we do on the basis of current laws, our values and Code of Conduct, and industry codes of conduct. Our Code of Conduct was developed based on OECD guidelines for multinationals and the UN Global Compact. In 2011, we introduced an updated version of our Code of Conduct and joined the Global Compact.

Industry cooperation to fight corruption

The Aerospace and Defence Industry Association (ASD) is a coordinating agency for the European defence industry and has drafted Common Industry Standards to fight corruption. Saab participates actively in ASD meetings and has implemented ASD requirements and procedures in its own operations. The basic rules also served as the starting point for a more extensive cooperation between European and U.S. defence contractors as part of the International Forum on Business Ethical Conduct (IFBEC). IFBEC's mission is to develop and in various ways promote ethical standards within the global aerospace and defence sector. Saab is a member of IFBEC and participates in its Steering Committee. Through this international collaboration, the industry has clearly expressed its commitment to fighting every form of corruption through the use of best practices and uniform rules. On an annual basis, members evaluate their anti-corruption efforts and procedures for complying with established ethical regulations. Results are compiled in a report and the 2012 report is available at <http://ifbec.info/>.

Business ethics at every level

In a global society, companies fill an important function by creating sustainable growth and doing business ethically. Trust and transparency are critical to future success. All employees have been provided information on Saab's Code of Conduct and are expected to familiarise themselves with its contents and follow its guidelines.

Risk-based approach to corruption

Saab has implemented a risk-based approach to corruption: each transaction and market activity shall be preceded by a corruption risk analysis. A special tool (the Corruption Risk Assessment Tool) has been developed to make it easier for all employees to conduct the analyses. The tool helps single out factors that typically tend to impact the risk of corruption.

All employees within the marketing and sales organisation receive training on the implications of the requirements imposed on business managers to conduct a corruption risk assessment in conjunction with each transaction. Saab continued training efforts in this area during 2012 – including information on current legislation, regulations and Saab's procedures for hiring consultants – for the marketing and sales organisation. 570 people have been trained to date, and all employees will complete the programme.

When Saab makes use of market consultants, and other advisors, all such collaborations are analysed and evaluated centrally. Specific rules of procedure must be followed, and every decision must be preceded by a thorough analysis. The marketing and sales organisation training programme includes a specific module on our regulations for using marketing consultants. Saab has also introduced training for the marketing consultants we retain. As a condition for signing new contracts with Saab, they must complete this training and sign a document stating that they agree to work pursuant to Saab's guidelines.

The existing training programme will be supplemented in 2013 with web-based anti-corruption training. All employees who are exposed to any form of corruption risk will complete this training.

New anti-corruption index for the defence industry

Transparency International published its Defence Companies Anti-Corruption Index in October 2012. The index ranks defence companies' systems and processes for preventing corruption. We achieved 77.9 per cent, giving us a "B" on an A-F grading scale. The index is based on a range of topics covering everything from the systems and processes that have been developed in this area to how these are communicated and monitored within the company. Our code and internal policies and our risk management received particularly high marks in the survey – this is especially gratifying considering that these were prioritised areas in our creation of a robust compliance programme.

SOCIETY

A POSITIVE FORCE IN SOCIETY

Through our operations, Saab plays an important role in social development.

Saab has a broad product and service portfolio for military defence and civil security. We develop, adapt and continuously improve new technologies to meet our customers' needs – technologies that contribute to secure, sustainable social development. Thinking smart is part of our DNA and our foremost competitive advantage. Many of our planet's resources are finite, which means that we must economise with these resources prudently and create a sustainable society. Saab will create value by continuing to establish itself as a responsible company with highly ethical standards – a company committed to actively developing society and its employees and promoting a sustainable environment. This is the very essence of the responsibility we have towards our stakeholders.

In the markets and locations where Saab is active, we want to take an active role in social development. The initiatives are always closely linked to our business. Both basic education where the needs exist, and higher education with technological orientation, are thus highly prioritised. Saab collaborates with about 50 schools, technical institutes and universities in places such as Sweden, Brazil and India.

Communities, countries and continents can unfortunately be subjected to disasters of various kinds. On several occasions, Saab has been quick to respond. During the autumn of 2012, a permanent response team was established within the framework of Project Relief, which on short notice is prepared to deploy for humanitarian missions in the event of disasters.

Collaboration for sustainable cities

During 2012, a project was started for attractive cities in Latin America and the Caribbean. It is a long-term initiative with the goal of developing a project portfolio with environmentally sustainable solutions, that based on existing expertise and technical products, contributes to efficient, safe and sustainable urban environments.

During the past decade, the region has been among the fastest growing in the world. With more than 500 cities with a population of between 100,000 and two million people, it is important that they are developed in a way that is economically, socially and environmentally sustainable. Together with the Inter-American Development Bank, we are investigating the opportunities to collaborate within the framework of the bank's initiative to support the development of sustainable cities and safe environments in the region.

This is in line with our ambition to create global collaborative programmes and networks for sustainable development.



Operation Atalanta

Operation Atalanta is a civil-military EU cooperation that has been underway for several years. The operation's objective is to prevent acts of piracy against food shipments belonging to the UN's World Food Programmes and to stop acts of piracy in the Gulf of Aden and the Indian Ocean off the east coast of Somalia.

The Swedish Coast Guard, participating in the civilian part of the operation with a sea surveillance aircraft, is tasked with detecting, documenting and reporting suspected pirate activities occurring outside of the major risk areas. Saab participated through the business area Support and Services under a project that ran from October 2012 through February 2013. The project entailed ensuring that the Coast Guard's aircraft, which were in the air six hours per day and six days per week, could carry out their duties without any problem.

ENVIRONMENT

REDUCED IMPACT ON THE ENVIRONMENT AND CLIMATE

Saab is working actively to reduce our impact on the environment and climate. A key component of this work is collaboration with the industry to create sustainable solutions for the future.

Objective

The most important environmental aspects for us are the climate impacts of our products and our operations, the use of hazardous chemicals and the management of environmental risks (read more on page 54). Saab's climate objective is to reduce our relative CO₂ emissions by 20 per cent during the period 2007-2020. A review of our climate change efforts, aimed at identifying additional measures to reduce Saab's impact on the climate, was initiated in 2012 and will be completed in 2013. In the area of chemicals, we work with needs analyses, information and communication internally within Saab and externally with our suppliers. We will identify and phase out the use of hazardous chemicals that pose unacceptable risks and substances that may be subject to regulation.

2012 priorities and results

Climate change

During the period 2007-2020, our relative CO₂ emissions decreased from 2.7 to 2.4 tonnes per MSEK. Vehicles, aircraft, business travel and goods transports account for 56 per cent of emissions, while the remaining is attributable to electricity and heating for our facilities, machinery and processes.

By far the majority of our energy consumption is in Sweden. An energy saving project was launched in 2009 to cut energy consumption at Saab AB's properties in Sweden in half by 2015. So far, a 15 per cent reduction has been achieved through measures including a decrease in premises size, more efficient operations, technological investments and increased awareness among

employees. Several measures were implemented during the year under this project. The adjoining fact box provides an example of measures implemented in 2012 and those planned for 2013.

For the sixth consecutive year, Saab was ranked in the international Carbon Disclosure Project's (CDP) Leadership Index. The index is an important component of CDP's annual Nordic 260 Climate Change Report, which highlights the companies on the Nordic stock exchanges that have worked most professionally with climate reporting issues. Saab ranked 7th for 'disclosure' and is also one of the 22 companies sharing third place for 'performance'. Information on CDP and our complete accounting can be found at www.cdproject.net.

Hazardous substances

The use of certain hazardous chemicals is still necessary to meet security and technical performance requirements in the aerospace and defence industry. Over the past ten years, Saab has greatly reduced its use of hazardous substances such as volatile organic solvents (VOCs), trichloroethylene, chrome and cadmium. Saab is exempted by the Swedish National Chemicals Inspectorate for use of trichloroethylene at production facilities in Linköping and Järfälla, Sweden.

The business areas developed new action plans in 2012 for the phase-out of hazardous substances. Decisions were also taken in several development projects to avoid hazardous substances wherever possible. Hazardous substances will be phased out over a five to ten year period. This long time period is required due to the extensive tests and qualifications that need to be performed to ensure that alternative substances meet the stringent requirements for safety and technical performance. This work is monitored by Group Quality & Environment and Group Environmental Council.

Saab's products are not governed by the EU's RoHS directive (Restriction of the use of certain Hazardous Substances in electrical and electronic equipment). But even so, we work to reduce our

Examples of measures in 2012:

- Implementation of studies on energy saving
- Reduction and adjustment of equipment up-time
- Installation of motion sensors in light fittings, premises, corridors, etc.
- Change to low-energy bulbs
- Low-consumption units and eco-friendly solutions when acquiring new ventilation units
- Change from oil boilers to district heating
- Continuous replacement of refrigerating machinery with district cooling
- Arrangement of energy efficient data centres
- Internal communication to increase awareness of climate change issues
- Improve options for using electronic aids to reduce need for business travel
- Review and adaptation of our internal Travel Directive

Examples of planned measures in 2013:

- Change windows in some areas of the buildings
- Change ventilation in production facility
- Change to plate heat exchanger
- Expand communication activities to increase awareness of climate change issues
- Improve internal car-pooling portal and adapt travel portal
- Improve follow-up of use of electronic aids

use of the substances regulated by the directive. Our work with hazardous substances corresponds well with the requirements of the EU's chemicals law – Registration, Evaluation and Authorisation of Chemicals (REACH).

In 2011-2012, Saab acquired and tested an IS/IT tool to manage information on the chemicals contained in its products. Implementation will begin in 2013. The tool will also be used to verify that the products meet current chemical requirements imposed by legislation and customers. Environmental issues covered by legislation are disclosed in Note 48.

Demands on suppliers

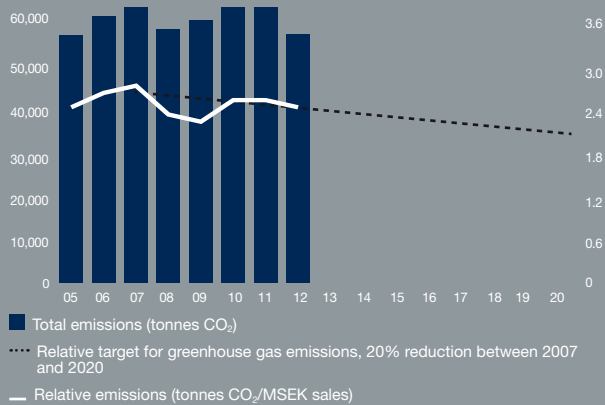
Saab has many suppliers around the world. Because a large share of the components and subsystems used in our products are manufactured by other companies, our suppliers have a great impact on our environmental work. We therefore require that our suppliers act responsibly and follow our requirements as well as those of the EU and our customers. The general environmental requirements imposed on our suppliers are available on our supplier portal. Developing environmental requirements for suppliers and monitoring compliance is a continuous process. In 2011 and

2012 this work was given higher priority, especially since Saab is currently introducing uniform procurement and supplier processes.

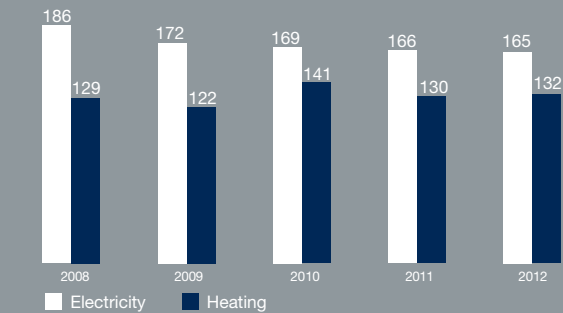
External environmental collaborations

Saab is one of the main suppliers to Clean Sky, a Joint Technology Initiative financed equally by the EU and the industry. Clean Sky aims to bring the European aviation industry together to meet the 2020 environmental goals set by the Advisory Council for Aeronautic Research in Europe (ACARE). This includes reducing CO2 emissions per passenger km flown in European airspace by 50 per cent, oxides of nitrogen by 80 per cent and noise levels around airports by half. The project is now halfway complete and the results are beginning to be released. The project includes the development of a future wing that will utilise innovative design and construction technology to reduce wind resistance, thereby cutting fuel consumption by up to eight per cent. Initial production testing was conducted in 2011 and 2012 and a full-scale test is being prepared. The wing will be tested on an Airbus aircraft in 2015. In 2012, along with other main suppliers to Clean Sky, we initiated a dialogue with the EU on a Clean Sky 2, to commence in 2014.

CO₂ emissions within the Saab Group

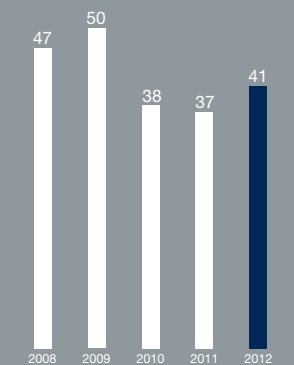


Energy consumption in Saab's operations, GWh



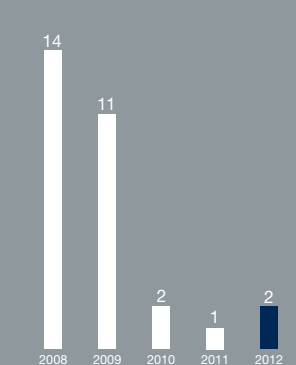
Saab is working actively to improve efficiency in the use of electricity and thermal energy. However, savings are not visible in the total consumption figures due to the Group continuously expanding with new operations. New activities have been added in recent years, including those in the U.S. and the Czech Republic.

Emissions of volatile organic solvents (VOCs), tonnes



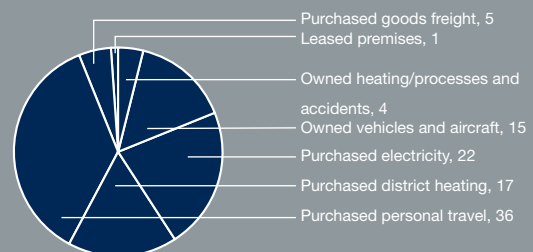
The increase in the emission of VOCs during 2012 is due to increased production. Saab Barracuda, Aeronautics and Support & Services have the largest emissions.

Consumption of trichloroethylene, tonnes



Trichloroethylene is used in Aeronautics and Electronic Defence System. The decrease in consumption is due to the installation of new tri-degreasing equipment. The increase in 2012 is due to a temporary increase in the consumption at one plant.

CO₂ emissions by source within Saab, %



The graph shows that personal travel and purchased electricity represent more than 50 per cent of Saab's total carbon dioxide emissions.

EMPLOYEES

A CLEAR ADVANTAGE: 14,000 EMPLOYEES WORKING TOGETHER

In order to implement its strategy, remain at the leading edge and achieve our goals, Saab needs to have the right skills within the company. Our overarching goal is to be an attractive employer to both current and future employees.

Competence & leadership

Saab's new Management Development training programme, launched in March 2012, will strengthen business leadership within Saab. The Management Development concept targets both new and experienced managers and has a flexible, needs-based structure. The training is comprised of eight modules with varying orientations: Professionalism, Strategic Leadership, Communicative Leadership, Personal Leadership, International Business Culture and Leading in Change.

We also offer internal management development programmes, including the ACMN programme (Advanced Corporate Management Network), which has brought together participants from Sweden, South Africa, England and Australia. The purpose of the programme is to learn more about Saab's entire operations in order to develop as a leader in an increasingly international environment.

New employees

Strong focus this year was placed on skills exchange and recruiting. In 2012 alone, Saab welcomed over 1,800 new employees, and close to 200 employees moved to new positions within the

Group. Approximately 30 per cent of the new employees joined us through strategic acquisitions. This has imposed high demands on a well-functioning, harmonised HR process that provides strong support to managers in both recruitments and departures.

A new web-based introductory training programme, "This is Saab", was launched and will be completed by all new and existing employees. Response to the training, which can be completed individually or in groups, has been very positive. The programme includes several modules and provides an excellent overall picture of Saab's operations, values and applicable rules for all employees.

Saab's focus on Performance Management also means that we set clear development goals from the outset, goals that can be followed up in the annual employee review that managers hold with each employee.

Future talent management

Saab has developed a strategy to strengthen the company as an employer brand. The goal is to create ideal conditions for attracting potential employees and developing and retaining existing employees. The right expectations are generated by clarifying what is offered and the demands that are placed on our employees, and Saab reaches talented people who want to develop and perform with us. A basic requirement is that people who want to work with us support Saab's values. The activities that will be implemented under this strategy focus on lower and upper secondary schools and students to foster interest in technology and generate interest in Saab as a future employer, and on the working population to generate immediate interest in working at Saab. We work in the short and long term to spread awareness and knowledge of Saab's operations.

Guiding values and clear rules

Saab's Code of Conduct establishes a number of important principles and stipulates that trust is the foundation of our operations. The Code includes descriptions of the regulations that apply to the business in general, proper workplace behaviour, business ethics as the key to winning trust, and our internal and external communication methods.

Areas of focus in 2013

- Further strengthen Saab's management with a focus on business orientation, communication and involvement of employees at all levels.
- Secure and develop future talent pipeline by strengthening Saab's employer offering.
- Continue to strengthen and harmonise HR support from a global perspective.

Unique collaboration secures future technology skills

As an engineering company, Saab is dependent on the availability of skilled employees with a desire to innovate, employees with an interest in and curiosity about technology. Stimulating and encouraging young people's interest in technology at an early age is one way to secure our own future activities.

Three years ago, after careful preparation, we started a national college preparatory technology programme in cooperation with the Vasa secondary school in Arboga. The aim is to get more young people interested in technology and mathematics and to generate interest in our varied high-tech business. During the training period, theory was interspersed with practical training and placement blocks at Saab. The programme also included international study, paid internships, private tutors and offers of summer work. The first class graduated on 7 June 2012.

Comments on 2012 results

We have refined our leadership development programme, which is based on eight leadership skills, and which we know is the foundation of successful leadership. Furthermore, we have introduced a Group-wide trainee programme and increased our investments in future talents in the form of collaborations and meetings with both elementary school students and students in prioritised colleges. We have also recruited many new employees in 2012 and have thus placed great focus on induction, with our Group-wide induction programme "This is Saab" proving to be of great value.

We had a high response rate to our annual employee survey. This demonstrates a commitment to be a part of developing our

operations and our work climate. It is highly gratifying that we achieved our goal as attractive employer this year, which is the weighted result of our employee survey and a major improvement over last year's results. A major reason behind this year's results is that employees have a stronger belief in the future. Another reason is that people are proud to work within the Group.

The share of wage-setting female managers increased to 22.1 per cent. We remain focused on achieving our goal of 30 per cent by 2015.

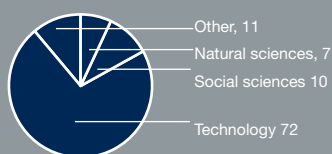
Personnel data

	2012	2011	2010
Total number of employees	13,968	13,068	12,536
of whom in – Sweden	11,125	10,321	10,396
– South Africa	761	1,064	1,086
– USA	705	652	191
– Australia	329	324	348
– UK	184	147	117
– Holland	139	4	4
– Czech Republic	139	143	21
– Norway	102	55	50
– Germany	85	26	34
– Denmark	67	68	72
– Finland	57	74	74
– Canada	54	14	13
– Switzerland	51	46	50
– Kenya	42	34	31
– India	37	44	7
Percentage of women, total	22	22	22
Number of consultants	1,665	1,368	1,109
– of which external	1,145	1,044	826

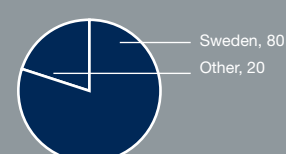
2012 Results

HR-related goals	Results 2012	Results 2011	Goal 2015
Employer of choice – internally index	75	67	75
Share of female managers, %	22.1	20.6	30

Educational background, %



Employees outside Sweden, %



SUSTAINABLE SOLUTIONS

C-LEANSHIP – SAFER, FASTER AND LOWER ENVIRONMENTAL IMPACT

Fuel consumption and environmental impact are two of the most central issues for the shipping industry. For certain types of vessel, the cost of fuel is the largest operating cost. Vessel fuel consumption increases by 5 to 10 per cent as a result of fouling on the hull. This means increased costs in the millions of dollars for larger vessels. Together with a Danish entrepreneur, Saab is developing an underwater robot which is based on Dynamics' world-leading ROV (Remotely Operated Vehicle) technology. The company created will enable ship owners to wash their vessels during normal port stops and will thus offer a service that reduces

energy consumption and environmental impact while the work is carried out in a safe and environmentally friendly manner. In addition to reduced fuel consumption, this solution helps to reduce the spread of micro-organisms between different marine habitats and, eventually, will offer an alternative to toxic antifouling hull paints through regular washing.



A NEW SURVEILLANCE AIRCRAFT IS LAUNCHED

In 2011, Saab decided to invest in the conversion of a civil Saab 340 aircraft into a 340 Maritime Security Aircraft (MSA) in order to address increased demand for marine surveillance aircraft. Aerial monitoring of coastal areas is a fast-growing market segment worldwide. 340 MSA will allow Saab to offer a cost effective solution with high capacity.

Due to its ability to respond quickly to emerging maritime threats, Saab 340 MSA can monitor territorial waters. The aircraft has a long range and can easily take off from short runways. The on-board monitoring system with data links, a SATCOM system (satellite communication system) and radar give the aircraft a high mission capacity. Saab 340 MSA is a reliable surveillance aircraft that offers a number of abilities such as: surveillance, search and rescue, transportation and MEDEVAC (Medical Evacuation).

The aircraft was displayed for the first time at the 2012 Aerospace Forum in Linköping. It has also been demonstrated in London, at the Farnborough International Air Show, and at African Aerospace & Defence in South Africa in September 2012.





MOBILE SYSTEM TRACES DANGEROUS SUBSTANCES

Saab has extensive experience of CBRN (chemical, biological, radiological and nuclear) substance detection products. AWR (Automatic Warning and Reporting System) is a mobile system that both warns of dangerous substances and identifies the substance. The system makes it possible to quickly identify the source and make correct decisions, which is critical when dealing with CBRN.

AWR consists of a number of mobile sensors that are connected to a common command and control system. If any of the sensors detect a dangerous substance, a warning signal is immediately sent to everyone who is connected to the system and to headquarters. The number of sensors allows you to quickly see which geographical areas are affected and which are safe.

AWR has been developed on behalf of the Swedish Armed Forces, which are currently using three units in the field. Simplicity and flexibility have been the guiding principles in the development, and the system can be easily updated in line with technological developments. Negotiations are ongoing with several other markets, and ultimately there are many civil applications.



FINANCIAL REVIEW 2012

Saab AB (publ.), corporate identity number 556036-0793, with its registered address in Linköping, Sweden. The address of the company's head office is Gustavlundsvägen 42, Stockholm, with the mailing address Box 12062, SE-102 22 Stockholm, Sweden, and the telephone number +46 8 463 00 00.

Saab has been listed on the NASDAQ OMX Stockholm since 1998 and on the Large Cap List since October 2006. The largest shareholder is Investor AB, with 30 per cent of the shares, corresponding to 40.6 per cent of the votes. The share of the votes has been 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 ten votes each and 107,243,221 Series B shares with one vote each. At year-end, a total of 3,219,515 Series B shares had been repurchased to guarantee the Group's various share matching plans. The repurchased shares are held as treasury shares.

In accordance with the Swedish Annual Account Act, Saab has prepared a corporate governance report separate from the annual report. It can be found in this document on pages 124-133. The corporate governance report contains the Board of Directors' report on internal control of financial reporting, which includes information for both the Parent Company and the Group. See pages 128-130 in this document.

Operations

As one of the world's leading high technology companies, Saab offers products, solutions and services for military defence and civil security. In 2012, we had customers in over 100 countries while research and development are principally carried out in Sweden. We are primarily have operations in Sweden, South Africa, Australia and the U.S. Saab is organised in six business areas: Aeronautics, Dynamics, Electronic Defence Systems, Security and Defence Solutions, Support and Services, and Combitech. Combitech, which provides consulting services, is an independent, wholly owned subsidiary of Saab and is reported as a business segment.

In addition to the business areas, Corporate comprises Group staff and departments and secondary operations. It also includes the leasing fleet of Saab 340 and Saab 2000 aircraft.

Long-term financial objectives

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

Long-Term Financial Goal Performance In 2012 Growth

Goal: Our organic sales growth will average 5 per cent per year over a business cycle.

Result 2012: In 2012, organic sales growth was -2 per cent (-4).

Sales increased 2 per cent in the year compared to 2011 as a result of acquisitions. Exchange rates had no significant impact on sales. Sales in markets outside Sweden amounted to MSEK 15,245 (14,829), or 64 per cent (63) of total sales. Of sales, 82 per cent (84) was related to the defence market.

Operating margin (EBIT)

Goal: We have a goal for the EBIT-margin formulated as an average over a business cycle. The EBIT-margin shall be at least 10 per cent

Result 2012: The operating margin after depreciation and amortisation (EBIT) in 2012 amounted to 8.5 per cent (12.5).

This included a non-recurring item of MSEK 207 from a reduction of a potential earn-out liability. 2011 included capital gains of MSEK 1,169. Adjusted for non-recurring items the EBIT-margin was 7.6 per cent (7.5).

Equity/Assets ratio

Goal: Our goal is an equity/assets ratio exceeding 30 per cent.

Result 2012: At year-end 2012, the equity/assets ratio was 47.5 per cent (41.1).

Dividend And Dividend Policy

Proposal for 2012 dividend and dividend policy

Saab's long-term dividend objective is to distribute 20-40 per cent of net income over a business cycle to shareholders.

For 2012, the Board of Directors proposes a dividend of SEK 4.50 per share (4.50). This would represent 30 per cent of net income in 2012 (21).

Outlook 2013

In 2013, we estimate that sales will increase slightly compared to 2012.

The operating margin in 2013, excluding material net capital gains and other non recurring items, is expected to be in line with the operating margin in 2012, excluding material non-recurring items, of 7.6 per cent.

Important events in 2012

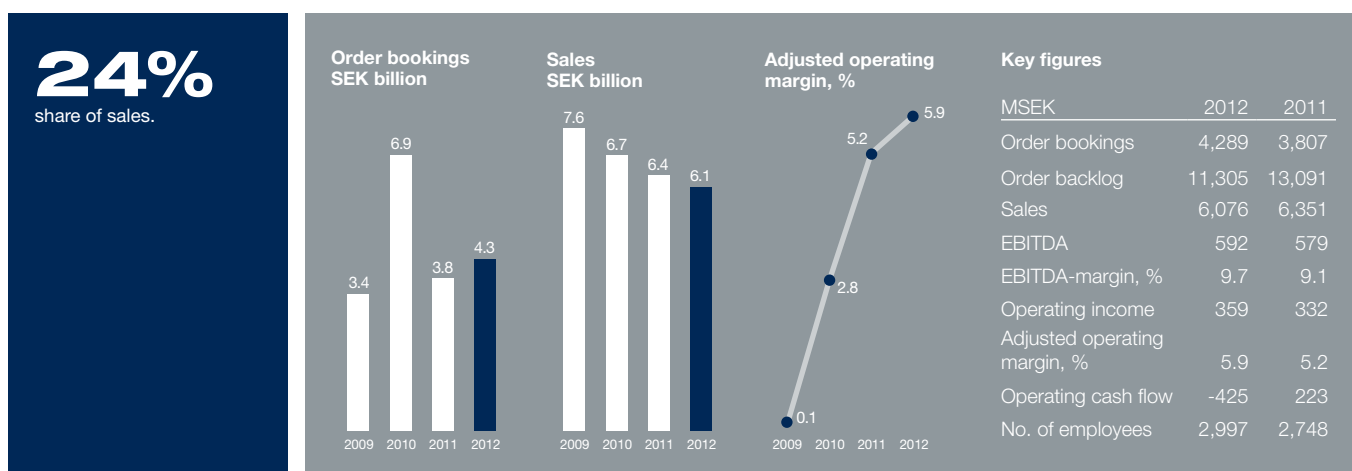
- Saab announced that the subsidiary Combitech had acquired Sörman Information AB. The acquisition is part of Combitech's strategy to grow in the Nordic consultancy market.
- Saab held its Annual General Meeting in Stockholm on 19 April. All members of the Saab Board of Directors were re-elected. The Saab Board of Directors therefore consists of Håkan Buskhe, Johan Forssell, Sten Jakobsson, Per-Arne Sandström, Cecilia Stegö Chilò, Åke Svensson, Lena Treschow Torell, Marcus Wallenberg and Joakim Westh. Marcus Wallenberg was re-elected by the Annual General Meeting as Chairman of the Board of Saab AB. At the statutory Board meeting following the Annual General Meeting, Sten Jakobsson was elected Vice Chairman of the Board.
- Saab announced that Magnus Örnberg had been appointed new Chief Financial Officer (CFO). He took up his position on 1 November, and is part of the Group Management Team.
- In June, Saab announced it would set up a Saab Americas Market Area. Further, in September Saab announced that two additional Market Areas – Europe & Greater Middle East as well as Nordic & Baltic – would be set up and both starting 1 January, 2013.
- Complete List of Saab Market Areas as of 1 January, 2013:
 - AMERICAS – Washington D.C., USA
 - ASIA PACIFIC – Bangkok, Thailand
 - EUROPE & GREATER MIDDLE EAST – London, UK
 - INDIA – New Delhi, India
 - NORDIC & BALTI C – Stockholm, Sweden
 - SUB -SAHARAN AFRICA – Centurion, South Africa
- In July, Saab announced that the subsidiary Combitech had acquired 70 per cent of the shares in Bayes Risk Management AS, Norway, with an option to acquire the additional 30 per cent of the shares within 18 months.
- On 6 August, a recommended public cash offer by Saab for all issued and outstanding shares in HITT N.V. was launched. HITT develops technology and implements projects to improve safety and security at airports and in maritime environments. On 27 August, Saab announced it had agreed to acquire 53 per cent of the shares in HITT from the majority shareholder Hitt Holding. Saab's offer thereby became an unconditional mandatory offer. As of 31 December, Saab had acquired 98.9 per cent of the issued and outstanding shares in HITT.
- In August, Saab announced it had signed a MoU (Memorandum of Understanding) regarding a strategic investment in the Indian company Pipavav Defence and Offshore Engineering Co Ltd (Pipavav). In conjunction to this, the companies have signed a Technical Partnership

Agreement (TPA). The MoU covers an investment by Saab of approximately MSEK 250. In November, Saab announced it had signed a deal with Pipavav that the investment will be made in shares which will be issued through a directed share issue. After the investment, Saab will hold approximately 3.5 per cent of the capital and votes in Pipavav.

- In September, Saab announced that an agreement had been made between the official receiver for Saab Automobile, Saab AB, Scania and NEVS regarding the Saab brand. NEVS has signed a licence agreement with Saab AB regarding the use of the name SAAB as the brand for NEVS' future electric cars. Rights and responsibilities about how to use the name and the brand SAAB are, as is customary, regulated in the licence agreement. The purpose is to diversify the two companies' activities from one another, i.e. distinguish the cars from the defence and security products.
- In October, Saab announced it had acquired 100 per cent of the German company MEDAV GmbH, specialised in the application of signal processing, pattern recognition and information technology, for approximately MEUR 27 on a cash and debt free basis (about MSEK 233). In addition, the parties agreed on a potential earn out payment of maximum MEUR 7 (about MSEK 60.5). Saab used existing funds to finance the acquisition.
- Saab announced the shareholder representatives who, together with the Chairman of the Board, constitute the Nomination Committee for the Annual General Meeting 2013. Marcus Wallenberg, Chairman of the Board of Saab, Petra Hedengran, Investor AB, Peter Wallenberg Jr, Knut och Alice Wallenbergs Foundation, Jan Andersson, Swedbank Robur Funds Anders Algotsson, AFA Insurance. The Nomination Committee represents approximately 53 per cent of the total voting rights of Saab AB based on the ownership structure as of 31 August, 2012. The Annual General Meeting of Saab AB will be held on Wednesday, 17 April, 2013.
- Saab announced that Görgen Johansson had been appointed Head of the business area Dynamics. He took up his position on 1 January 2013 and is part of the Group Management Team.
- In November, Saab announced it had established a joint venture, in which Saab holds 26 per cent ownership, with the Indian partner company QuEST Global Manufacturing. The joint venture will manufacture and supply assemblies for the commercial aerostructures market.

AERONAUTICS

Aeronautics offers a product portfolio that includes the Gripen fighter and Unmanned Aerial Systems (UAS). Aeronautics also manufactures aircraft components for Saab's own aircraft as well as passenger aircraft produced by others. Products include Gripen, Skeldar and Neuron.



Services and solutions

- The Gripen fighter, which offers continuous upgrades, high cost efficiencies and a level of performance that meets the high demands of armed forces.
- The unmanned helicopter system with modular design is also part of the product portfolio.
- Aeronautics is also subcontractor to commercial aircraft producers and our knowledge within handling composites is key, since we mainly deliver parts in this material.

Orders received

Orders received in 2012 included an order received from FMV for continued support and maintenance and updates for the Gripen C/D. Saab also received four orders from FMV for Gripen development, support and maintenance through 2016. The sum of total orders for Aeronautics related to these four orders amounted to MSEK 1,883.

Orders received also included new order bookings of about MSEK 1,130 for deliveries to the Boeing 787 programme, the Airbus A380 programme and the Airbus A320 programme.

Orders received, where the order sum exceeded MSEK 100, represented 77 per cent (84) of total order bookings.

Sales

Sales decreased compared to 2011, mainly as 2011 included production and deliveries of Gripen aircraft for South Africa as well as a higher activity level related to Thailand.

Markets outside Sweden accounted for 39 per cent (43) of sales.

Income and margin

In 2011, the divestment of the ownership in Denel Saab Aerostructures (Pty) Ltd. generated a capital gain before tax of MSEK 58.

Cash flow

Operating cash flow was negative in 2012 due to utilisation of and reduction in advances and milestone payments.

Employees

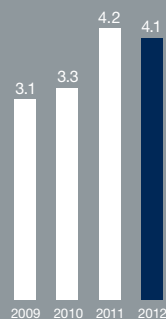
The number of employees was higher compared to year-end 2011 as a result of a higher activity level in the development of Gripen.

DYNAMICS

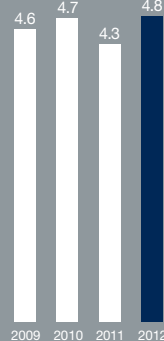
Dynamics offers a product portfolio with ground combat weapons, missile systems, torpedoes, unmanned underwater vehicles and signature management systems for armed forces as well as military and civil niche products from spin-offs such as unmanned underwater vehicles for the offshore industry and 3D mapping solutions for the defence market. Products include Carl-Gustaf, RBS 70 and Rapid 3D Mapping.

18%
share of sales.

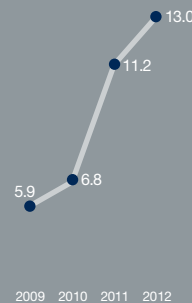
Order bookings,
SEK billion



Sales,
SEK billion



Adjusted operating
margin, %



Key figures

MSEK	2012	2011
Order bookings	4,095	4,246
Order backlog	4,769	5,460
Sales	4,779	4,335
EBITDA	794	652
EBITDA-margin, %	16.6	15.0
Operating income	621	484
Adjusted operating margin, %	13.0	11.2
Operating cash flow	498	588
No. of employees	1,529	1,475

Services and solutions

- The installed base in more than 60 countries around the world includes support weapons, camouflage, 3D mapping, missiles, torpedoes and unmanned underwater vehicles.
- Ground combat weapons such as NLAW, AT4, Carl-Gustaf and Bill 2.
- Land-based air defence systems, e.g., RBS 70, Bamse and ASRAD-R.
- Missile programs such as Meteor, Taurus and IRIS-T.

Orders received

Orders received in 2012 were lower compared to 2011, partly as a result of a challenging market situation and delays in customers' investment decision processes.

Large orders received included several contracts related to the man-portable weapon system Carl-Gustaf. The U.S. Army for the second time placed an order to equip its forces, a contract was signed with the U.S. Special Operations Command to supply additional Carl-Gustaf man-portable weapon systems and ammunition. An order for the Surface-to-Surface Missile RBS15 Mk3 was received as well as an order from FMV for an upgrade of the heavyweight torpedo Torpedo 62 and support for underwater weapon systems.

Orders received, where the order sum exceeded MSEK 100, represented 54 per cent (59) of total order bookings.

Sales

Sales increased compared to 2011 as a result of a continued high activity level in large projects.

Markets outside Sweden accounted for 88 per cent (82) of sales.

Income and margin

The operating margin in 2012 increased due to a more favourable product mix in combination with increased sales.

Cash flow

Operating cash flow was lower in 2012 compared to 2011, due to timing differences in advance payments related to large orders.

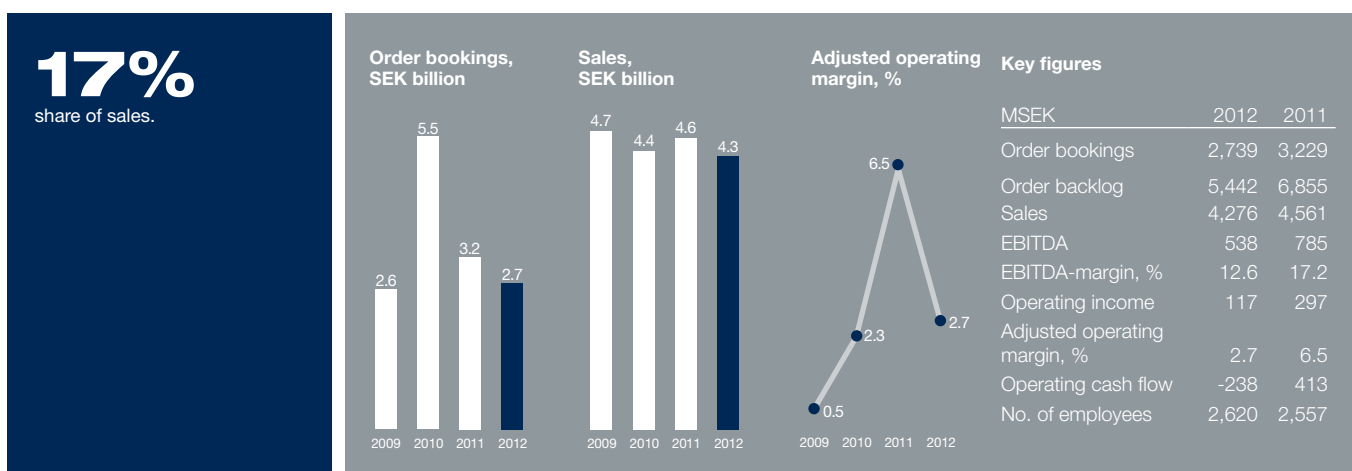
Employees

The number of employees increased due to a higher activity level.

In the fourth quarter, it was announced that Görgen Johansson had been appointed Head of the business area Dynamics. He took up his position on 1 January 2013 and is part of the Group Management Team.

ELECTRONIC DEFENCE SYSTEMS

Electronic Defence Systems offers a product portfolio comprising airborne, land-based and naval systems in radar, signals intelligence and self-protection. The business area also supplies civil and military customers with avionics that increase flight mission efficiency and flight safety. Products include Giraffe AMB, Erieye, Arthur, BOL and IDAS.



SECURITY AND DEFENCE SOLUTIONS

Security and Defence Solutions offers a product portfolio comprising defence reconnaissance systems, airborne early warning systems, training and simulation, air traffic management, maritime security, security and monitoring systems, and solutions for safe, robust communications. Products include 9LV combat management and fire control systems, the Remote Tower air traffic management system and the Tactical communication integration system.



Services and solutions

- Operations are concentrated on C4ISR (computerised command, control, communications and intelligence) systems, WISR solutions and security solutions, as well as training and simulation.
- Remote air traffic control uses cameras and sensors installed around airports. All the information they record is linked in real time to the air traffic control centre and projected onto a 360-degree view. This cost-effective solution allows several airports to be monitored from a single location.
- Airborne surveillance systems, e.g., AEW&C (Airborne Early Warning & Control).

Orders received

Orders received increased in 2012 due to several large orders received in the year and the acquisition of Sensis in 2011.

Saab signed a five year contract with the U.S. Federal Aviation Administration (FAA) for the Airport Surface Surveillance Capability (ASSC) programme in the beginning of 2012. Orders from the programme in 2012 amounted to about MSEK 228.

In addition, Saab signed a two year extension for the Deployable Tactical Engagement Simulation training system (DTES) managed service from the UK Ministry of Defence. A multi-year contract for the next generation laser-based training systems for the U.S. Army's armored combat vehicles was also secured. BAE Systems, Sweden, placed an order for the sight and fire control system UTAAS (Universal Tank and Anti-Aircraft Sight) on combat vehicle CV9030N, for the Norwegian Army, and an order was also received from the Royal Thai Navy for the upgrading of the command and control system on the aircraft carrier H.T.M.S. Chakri Naruebet. FMV also ordered further development of systems for air traffic management and airbases for the Swedish Armed Forces.

In New Zealand, Saab received an order from SecureFuture to provide the security management system for a new prison at Wiri, South Auckland.

Orders received, where the order sum exceeded MSEK 100, represented 44 per cent (40) of total order bookings.

Sales

Sales increased in 2012 as a result of the acquisition of Sensis in 2011 and HITT during the autumn of 2012. Market conditions in South Africa remained challenging throughout the year.

Markets outside Sweden accounted for 76 per cent (77) of sales.

Income and margin

During the second quarter 2012, a positive non-recurring item from a reduction in the potential earn-out liability related to the acquisition of Sensis contributed with MSEK 53 to the operating income.

The integration of Saab Sensis was finalised in the second half of 2012.

Cash flow

Operating cash flow was negative in 2012. The decrease compared to 2011 is due to timing differences of milestone payments as well as the acquisition of HITT. Approximately MSEK 240 had been paid for HITT at the end of December 2012. The acquisition was financed through existing funds.

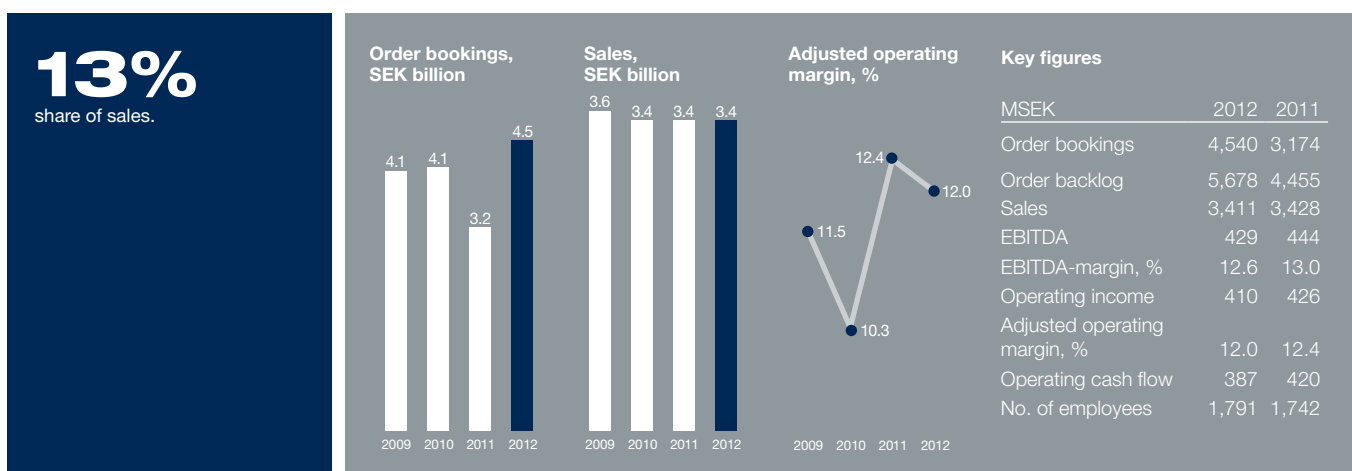
Employees

During the second quarter Saab announced it would investigate how to reorganise the business in South Africa to meet local and global financial challenges. The new organisational structure was defined during the third quarter and was implemented in the fourth quarter 2012. A part of Security and Defence Solution's business in South Africa, regarding radio communications with about 100 employees, was sold as part of the reorganisation in the third quarter 2012.

The number of employees increased as a result of the acquisition of HITT that had 188 employees.

SUPPORT AND SERVICES

Support and Services offers support solutions to customers within defence, civil security and civil aircraft operators. The solutions include technical maintenance, Life Cycle Logistics, spare parts and products and services that make it easier for customers to operate in locations with limited infrastructure. Examples of products and solutions include 340 MSA Reconnaissance aircraft, CBRN warning system and mobile camps and field hospitals.



Services and solutions

- Integrated service solutions for operations in the air, on land and at sea, as well as civil security.
- Offer a package solution for equipment maintenance and service, technical training, spare parts, logistical solutions and field support, and round-the-clock service centres.
- Flexible, scalable, adaptable and upgradable solutions.
- Operations are global and comprise Saab as well as other OEM systems and equipment.
- Support and service of a large part of the Saab 340 and Saab 2000 operating globally today with 400 aircraft by 75 operators in 37 countries. Total of around 1,400 flights a day.

Orders received

Orders received in 2012 increased compared to 2011, mainly as a result of four orders from FMV for Gripen development, support and maintenance through 2016. The sum of total orders for Support and Services related to these four orders amounted to MSEK 1,242.

A long-term contract with the Swedish Meteorological and Hydrological Institute (SMHI) and FMV was also signed for the modernisation and systems upgrade of all twelve weather radar stations in Sweden.

An order was received from BAE Systems, Sweden, for the supply of automotive electronics for displaying vehicle, com-

mand and sensor information. An order was also received for the integration of surveillance systems in Piaggio Aero's new surveillance aircraft and a significant support agreement with Sikorsky was also signed regarding technical maintenance and support for the Swedish Armed Forces' Black Hawk helicopters. In addition, several new support agreements with Saab 340 and Saab 2000 operators were signed in 2012.

Orders received, where the order sum exceeded MSEK 100, represented 41 per cent (26) of total order bookings.

Sales

Markets outside Sweden accounted for 29 per cent (24) of sales.

Cash flow

The operating cash flow in 2012 was at a slightly lower level than in 2011, mainly as a result of a temporary build up of working capital in some projects.

Employees

In 2012 Support and Services implemented a new organisational structure centered around key capabilities, with an aligned customer focus across the organisation. The new structure provides a stronger platform to capture envisioned future growth opportunities.

COMBITECH

Combitech, an independent business area within the Saab Group, is one of Sweden's largest technology consulting firms. By combining technology with cutting-edge expertise in the environment and security, we create solutions for our clients' specific needs.



RISKS AND RISK MANAGEMENT

Saab's business generally entails significant investments, long periods of time and product development or refinement. In addition to customer and supplier relations, international operations involve joint ventures and other collaborations as well as the establishment of operations abroad.

All businesses entail risk. A risk can be specific to the company or related to a certain industry or market. Certain risks can be fully managed by the company, while others are out of its control.

Saab's operations primarily involve the development, production and supply of technologically advanced hardware and software to customers around the world. The international part of the business is growing.

Operations entail significant risk-taking in various respects. The key risk areas are political, financial and operational risks. See this spread for information on the political and financial risks. See pages 53–55 for more information on the operating risks.

Managing risks

Significant risks that are identified are managed continuously at all levels of the organisation and in strategic planning. Various policies and instruments govern the management of significant risks. In addition, Saab has an independent audit unit that serves as a dedicated resource to independently audit the effectiveness of internal control processes. 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.

Risk analysis and activities 2012

In 2012, we worked on training and following up the introduction of the harmonised risk evaluation process implemented in 2011. Focus has been on the operating processes and project execution. In 2013, risk management will be expanded to other areas within line operations and support processes. The process is designed based on a 2010 analysis of various aspects of the risk processes used by the business areas and divisions. For additional information, see the corporate governance report, pages 124–133.

Political and market risks

Saab supplies, among other things, systems and equipment that are classified as strategic products, the sale of which is regulated by national laws and ordinances that also include international agreements. Access to vital components and systems may be subject to export restrictions and various types of regulations, which are exposed to political risks.

Regulations are amended on an ongoing basis, and this impacts Saab's business opportunities. The ability to establish and maintain long-term customer relationships is a key issue for Saab, as some projects extend over decades. Because the Swedish state – through the Armed Forces and FMV – has traditionally accounted for a large proportion of Saab's product renewal, our business is particularly affected by Sweden's defence policy.

Another type of risk are market risks that can affect customers' inability to fulfil current contracts due to economic, political or other circumstances such as natural disasters, an economic crisis, a shift in power or an embargo.

Managing political and market risks

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

Financial risks

In its operations, Saab is exposed to various financial risks. Management of financial risks is governed by the Group Treasury Policy established by the Board of Directors. Moreover, Saab has an extensive pension obligation managed by Saab's Pension Fund. In addition, detailed directives and processes are in place for the operational management of each area. Overarching responsibility for managing financial risks lies with Group Treasury.

Pension obligations

The Group's pension obligations are substantial, as indicated in Note 37. In the calculation of pension obligations, future pension obligations are discounted to present value. The size of the liability is dependent on the choice of discount rate: a low interest rate produces a high liability, and vice versa.

Management of pension liability

To manage the pension liability, the Saab Pension Fund was established in 2006 and capitalised with the corresponding PRI liability.

FOCUS FOR RISK MANAGEMENT 2011–2013

2011

Design and implementation of a harmonised risk management process throughout the company.

2012

Training, follow-up and completed introduction of the harmonised risk management process. Making the product development process more efficient.

2013

Understand the complexity and the demands on our local markets and provide education and follow-up on contacts and relations.

The Group's obligations are calculated on an actuarial basis each year, after which a comparison is drawn with the fund's assets. Deficits according to such calculations may require Saab to contribute additional funds. The Saab Pension Fund's objective is a real annual return of at least 4 per cent on invested capital. The fund invests in interest-bearing securities, equities and hedge funds.

Accounting principles regarding pension liabilities changes as of 2013, meaning that the value of pension liabilities will be more volatile compared to previously applied accounting principles up until 2012. See Note 1 for additional information.

Operating risks

A number of significant areas have been identified with respect to operating risks, which are important in assessing the Group's results and financial position.

Develop and introduce new systems and products

The Group invests heavily in the research and development of its own products and systems as well as acquisitions of technology. Its own products are mainly the export version of Gripen, radar systems, command and control systems, missile systems, UAV systems and electronic warfare systems. One example of acquired technology is the world-leading radar technology obtained through the acquisition of Ericsson Microwave Systems AB in 2006. Investments in new systems and products are made after a strategic and financial analysis and assessment of future business opportunities. Risks applied to develop and introduce new systems and products involve that the self-developed products does not fulfil high customer requirements, and thus not give the previously estimated return when the decision was made.

Management of development and introduction of new systems and products

During 2012, implementation continued of the various measures launched in 2011 to further improve efficiencies in development processes, including the continued establishment of Centres of Excellence within Saab for different aspects of development work. This means that we coordinate and sometimes consolidate critical technology needed for different product areas in one location. Product roadmaps (i.e. a plan for further development of the product) is now being established for the full life-cycle of the product. This gives a better possibility to internally govern product development. In 2012, a portfolio management process was also developed. It is a management tool on an overall level to make

decisions on which investments to prioritise, both in a market and profit perspective.

Certain development costs are capitalised in accordance with established accounting principles. Amortisation of capitalised development costs is scheduled over the estimated production volume or an estimated period of use, though not more ten years. If the estimated period of use is shorter than five years, the costs are amortised over the shorter period. Future business opportunities are periodically reassessed, which can lead to impairment losses. Capitalised development costs are shown in Note 16.

Long-term customer projects

Management of long-term customer projects involves risks. Saab's operations entail complex development projects on the leading edge of technology where the competitive situation is complex. Success depends on the ability to offer cost-effective high technology solutions, though also in some cases on participation in the customer-country's economy through various forms of industrial cooperation. The risk in managing long-term customer projects is that Saab will be unsuccessful in meeting customer requirements, as a result of which the commitment is not fulfilled and costs being significantly higher.

Management of long-term customer projects

A majority of all long-term customer projects contains significant development work, which is associated with risks. Every contract with a customer to supply a product, solution or service is always preceded by a thorough analysis of the conditions and risks associated with the delivery, based on an internal process established within Saab for customer contracts. Adaptation of the processes have been made to support the new market area organisation as of 1 January, 2013.

Regular project reviews are subsequently conducted during the implementation stage using the same process. An important aspect is to identify risks and assess them along with measures taken in order to mitigate the risks with the help of our uniform risk assessment process.

The Group applies the percentage of completion method to recognise revenue from long-term customer projects. An estimation of total costs is critical to revenue recognition and provisions for loss contracts as well as the valuation of inventories. The outcome of technical and commercial risks may affect income.

A review of the project management process was conducted in 2010, and we are working continuously to improve this process

FINANCIAL RISKS		
RISK	Foreign currency risk Interest rate risk Refinancing risk Credit and counterparty risks Commodity risk	Pension obligations
MANAGEMENT	Management of financial risks is governed by the Group Treasury Policy established by the Board of Directors. Learn more about financial risks in Note 41.	See above

and ensure its implementation. In 2012 we worked continuously to secure the implementation of the process through supportive education and continuous improvements. This will continue in 2013.

Compliance risks

Saab has clear guidelines on how to act in contact with customers and society. We do business all over the world and have relations with customers and other stakeholders on all continents. Our commitment is to act ethically correct in all that we do based on current legislation, our own Code of Conduct and common industry standards. We shall be a long-term and reliable business partner that promotes an open and transparent market. The risk involved when doing business is when we break our commitment.

Management of compliance risks

Our Code of Conduct has been based on OECD's guidelines and the UN Global Compact. In 2011 we joined Global Compact and have thus committed ourselves to externally report according to these ten principles. All employees have been provided information on the new code and are expected to familiarise themselves with its contents and follow its guidelines.

Saab has implemented a risk-based approach to corruption meaning that every business transaction and market activity shall be preceded by a corruption analysis. To facilitate the analysis Saab has developed a special tool ("Corruption Risk Assessment Tool"). It helps to point out factors that typically are designed to influence corruption. All employees within the marketing and sales organisation are trained in the significance of the requirements for business managers to perform a corruption assessment in relation to every business transaction. During the year Saab continued training efforts within this area, that also includes knowledge of existing legislation, rules and regulations and Saab's processes for hiring consultants and other advisors.

The use of market consultants and other advisors are normal in a complex world. At Saab every such cooperation shall be tested, evaluated and motivated centrally. There is a clear decision-making process to be followed, and every decision shall be preceded by a thorough analysis. Saab has also introduced training for market consultants that are hired. To have undergone the training and signed a commitment stating that they are following Saab's guidelines are prerequisite for further cooperation.

In 2013, the existing training program will be complemented by a web-based anti-corruption training. All employees exposed to any form of corruption risk shall undergo the training.

Environmental risks and liabilities

The most important environmental risks are improper management of hazardous chemicals, fires in buildings and plants, and soil contamination. For more information on environmental risks and liabilities, see Note 48.

Management of environmental risks and liabilities

The operations in Linköping and Karlskoga are subject to Europe's Seveso law, which is designed to reduce risks in connection with the large-scale use of chemicals. Against this backdrop, we have introduced strict routines for risk assessment, supervision and control of chemicals. Strict routines are also applied to purchases of chemical products. Health and environmental information on chemical products is available in the Group's chemical data system.

Saab works actively to assess and minimise fire risks in its operations. Since a fire in a production facility can cause extensive environmental damage to the local area, effective fire prevention is an important part of the efforts to reduce environmental risks.

We analyse our operations and properties around the world to assess Saab's risk exposure resulting from soil contamination.

If a contaminated area is identified, liability is determined and an overall risk assessment is conducted. Information on contaminated areas is documented as it is received. An insurance solution to manage soil contamination cases has been in place since 2009.

Overall risk assessments are made to determine how operations are affected by climate change. These risks are reported within the framework of reporting for the Carbon Disclosure Project (CDP).

OPERATING RISKS				
RISK	Develop and introduce new systems and products	Management of long-term customer projects	Environmental risks and liabilities	Compliance risks
SIGNIFICANCE	The risk is that Saab does not achieve the levels of business required for its products to be profitable.	The risk is that Saab will be unsuccessful in meeting customer requirements, as a result of which the commitment is not fulfilled.	In its operations, Saab handles a wide variety of chemical products that are classified as harmful to humans and the environment. The most important environmental risks involve hazardous chemicals, building and plant fires, and soil contamination.	That we break our commitment is to act ethically correct in all that we do based on current legislation, our own Code of Conduct and common industry standards.
RESPONSIBILITY	The Group takes an active approach to product management. A high degree of modularisation in project management allows Saab to reuse product solutions in its offerings.	Every contract with a customer to supply a product, solution or service is always preceded by a thorough analysis of the conditions and risks associated with the delivery, based on an internal process established within Saab for the management of customer contracts.	Saab has introduced strict routines for assessment, supervision and control of various environmental risks.	Our Code of Conduct is complemented by detailed directives and policies within relevant areas. Included in our compliance program are also extensive internal training efforts and clear management structures with special compliance functions designated to manage operating risks as well as further development and improvement of existing regulations and processes. Saab has also established a whistleblowing system.
2012	In 2012 the implementation of different measures started in 2011 to further enhance our development processes continued, for example new Centers of Excellence within Saab to improve development. A portfolio management system, an overall management tool to make decisions regarding which investments to prioritise in a market and profit perspective, was also developed in 2012.	In 2012, we worked on follow-up and ensure the implementation of the risk management system defined in 2010. In addition, we also carried out preparations to adapt these processes to the new market area organisation, effective from 1 January 2013.	In 2012, Sensis and E-COM were integrated in Saab's environmental risk work.	In 2012, further training of employees within corruption risk assessment were carried out.
2013	In 2013 we will introduce a uniform product data base that will support our efforts to create a better structured packaging of Saab's product offering, which aims at lowering project costs and increase quality in tenders. The aim is to lower risk in project execution.	In 2013 we will continue to work with continuous improvements and secure the implementation of our project management process.	Our focus is on improving and making transportation, heating and ventilation in properties and production facilities more efficient. Efforts on communication to increase climate awareness and improve possibilities to utilise electronic communication, for example video conferencing.	We will complement the existing training program with a web-based anti-corruption training. We will also launch further tools used as support in the corruption risk assessment tool that is mandatory in every business initiative and also in other ways continue the work to develop processes and work ways that limits our risk exposure in this area.

OTHER INFORMATION

Corporate

Corporate reported operating income of MSEK -14 (916).

2011 included capital gains of MSEK 989 from divestments.

The sale of aircraft in Saab's lease fleet of turboprop aircraft contributed positively to the operating income in 2011 and 2012.

In 1997 Saab discontinued the manufacturing of turboprop aircraft. Today Saab still has a lease fleet that as of 31 December 2012 consisted of 61 (82) turboprop Saab 340 and Saab 2000 aircraft. Of the fleet, 42 (42) are financed through U.S. leverage leases. Rents from these leases are insured through The Swedish Export Credits Guarantee Board (EKN). 19 (40) aircraft are financed internally and recognised as assets in the balance sheet. Provisions in the balance sheet related to the leasing portfolio are deemed sufficient for the remaining risks.

We estimate that the leasing portfolio will be phased out in 2015.

Guidelines for remuneration and other terms of employment for senior executives 2012

According to the Swedish Companies Act, the Board of Directors shall to the Annual General Meeting propose guidelines for remuneration for senior executives in the company. The Annual General Meeting 2012 adopted the Board of Director's proposed guidelines for such remuneration as described below.

The senior executives comprise the President and CEO and other members of the Group Management. The members of this group are presented on the company's website (www.saabgroup.com). In some special cases, these guidelines may also comprise Board Members of Saab AB, as described below.

Saab shall offer market terms, enabling the company 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 shall be practiced regularly relative to comparable industries and markets.

The Board's proposal is based mainly 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 subsidiaries.

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

The Board shall be entitled to divert from the guidelines, if there are reasonable grounds to do so in an individual case.

These guidelines apply from the Annual General Meeting 2012.

Fixed remuneration

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

Variable remuneration

It is important that senior executives have a long-term view and a long-term commitment in the company's operations and profits. Therefore long-term incentive is especially well suited to Saab and its shareholders.

The President and CEO and senior executives are entitled to participate in the long-term incentive programs resolved by the Shareholders' Meeting.

In extraordinary cases, agreements of a one-time nature for variable cash remuneration may be made, provided that such agreements are made solely on an individual basis for recruitment

or retention purposes only, or as compensation for extraordinary efforts beyond the individual's ordinary assignment. Such remuneration shall never exceed the amount of 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 in other cases besides the above mentioned.

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 the 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

For pension agreements entered into after 1 January 2005, the pension age is 62. In addition to the ITP agreement, the pension is part of a defined premium based contribution plan where provisions are made annually. For the President and CEO, the provision is equivalent to maximum 35 per cent of the fixed salary. For other senior executives the percentage is based on a set of regulations in the so-called Saab plan. According to this plan, the percentage is dependent on the number of years remaining until the age of retirement upon joining the plan. The aggregate insurance balance should cover a targeted pension from 65 years of age 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 strengthened disability pension and survivors' pension.

Miscellaneous terms

All executives in the Group Management, including the President and CEO, may terminate their employment with six months' notice. If the employment is terminated by Saab, the notice period is six months, and after the notice period, severance equal to one year's salary is paid. An additional year's salary is payable if no new employment has been obtained in the first 18 months from the time the notice of termination was served.

With respect to employment agreements made after 1 January 2005, and in cases where Saab terminates the employment, a maximum severance pay of 18 months is payable in addition to the six-month notice period. In both cases, any income from termination pay and severance pay will be deducted against income from other employment during the corresponding time.

Consultant fees to Board Members

Saab Board Members, elected by the Shareholders' Meeting, may in special cases 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

Incentive programs proposed to the Annual General Meeting 2012

The Board of Directors proposed that the Annual General Meeting resolved on the implementation of a Share Matching Plan 2012 and a Performance Share Plan 2012. The Annual General Meeting resolved in accordance with the Board's proposal.

Note 37 of the Annual Report includes a description of existing remunerations for senior executives, including fixed and variable compensation, long-term incentive programs and other benefits.

The board of directors' proposal for guidelines for remuneration and other terms of employment of senior executives to apply as of the next annual general meeting

The Remuneration Committee has evaluated the application of the guidelines for remuneration for senior executives of Saab that were resolved at the Annual General Meeting in 2012 and the current remuneration structures and remuneration levels in the company. The Remuneration Committee is of the opinion that the guidelines that were resolved in 2012 achieve their purposes to facilitate the recruitment and retention of senior executives.

The Remuneration Committee has recommended the Board of Directors to propose to the Annual General Meeting to adopt principles of remuneration whose terms and conditions in essence are the same as those that were resolved at the Annual General Meeting in 2012.

In light of the above background, the Board of Directors therefore proposes to the Annual General Meeting 2013 to adopt principles of remuneration and other terms of employment for senior executives whose terms and conditions in essence are the same as those that were resolved at the Annual General Meeting in 2012, please see above.

Incentive programs proposed to the Annual General Meeting 2013
The Board of Directors proposes that the Annual General Meeting resolves on a Share Matching Plan 2013 and a Performance Share Plan 2013.

The terms and estimated costs for the Share Matching Plan 2013 and the Performance Share Plan 2013 are presented in the Board's complete proposal to the Annual General Meeting.

Saab's Share Matching Plan

In April 2007, Saab's Annual General Meeting resolved to offer employees the opportunity to participate in a voluntary share matching plan where they can purchase Series B shares in Saab during a 12-month period. Purchases are made through deductions of between 1 and 5 per cent of the employee's monthly salary. 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.

The plan was introduced in autumn 2007 in Sweden and Norway. In 2008 it was expanded to include employees in Denmark, Germany, the UK, the U.S., Switzerland and Australia. South Africa was included in 2009, Finland in 2010 and thereafter Czech Republic in 2011. India will be included in the Share Matching Plan 2012 starting in January 2013.

In April 2008, Saab's Annual General Meeting resolved to introduce a performance-based plan for senior executives and key employees entitling them to 2–5 matching shares depending on the category the employee belongs to. In addition to the requirement that the employee remain employed by Saab after three years, there is a requirement that earnings per share grow in the range of 5 to 15 per cent on average per year during the three-year period. The Annual General Meetings in 2009, 2010, 2011 and 2012 resolved to renew the share matching plan and performance share plan.

The 2011 share matching plan comprises all employees, including senior executives and key persons. The performance share plan for 2011 and 2012, which is directed to senior executives

and key persons, entitles participants to 1–4 matching shares, depending on the category the employee belongs to.

In 2007, Saab repurchased 1 million shares, in 2008 and 2009 it repurchased 1,340,000 shares per year, and in 2010 it repurchased 838,131 shares to hedge the plans. In 2011 and 2012 no shares were purchased.

The Annual General Meeting on 19 April 2012 renewed the Board of Directors' mandate to repurchase up to 10 per cent of the Company's shares, of which 1,340,000 shares to hedge the Share Matching Plan and Performance Share Plan.

The purpose of the authorisation was to provide the Board with greater scope in working with the company's capital structure and enable acquisitions when considered appropriate, as well as to secure the Group's Share Matching Plan and Performance Share Plan. The mandate applied until the Annual General Meeting 2013. Repurchases may be effected over the stock exchange or through offerings to shareholders. During 2012, the Board has not decided to utilise its authorisation for repurchases and thus no shares were repurchased in 2012.

Share repurchase

Saab held 3,219,515 treasury shares as of 31 December 2012 compared to 3,818,386 at year-end 2011.

Saab Pension Fund had no holding of Saab shares as of 31 December 2012.

Dividend

The Board of Directors proposes that shareholders receive a dividend of SEK 4.50 per share (4.50), or a total of MSEK 477 (474). 22 April 2013 has been proposed as the record day for the dividend, which is expected to be paid on 25 April 2013.

Important events after the conclusion of the year

- Saab announced it had received an order for delivery, maintenance and support of the autonomous underwater vehicles systems, AUV62, the latest version of the advanced training target for Anti Submarine Warfare (ASW) training.
- Saab announced it has partnered with Tawazun, a strategic investment company focusing on defence and strategic manufacturing, to create a new UAE-based radar company. It is a joint venture where 51 per cent is owned by Tawazun and 49 per cent by Saab
- Saab announced the signing of an agreement with the Swedish Defence Materiel Administration (FMV) for Gripen E. The agreement includes development and modification of Gripen E for Sweden during the period 2013-2026 and a possible order for new production of Gripen E from Switzerland. FMV placed an initial development order of SEK 2.5 billion for operations during 2013-2014. Remaining orders from Sweden is expected in 2013-2014. The total value of possible orders under the agreement amounts to a total of SEK 47.2 billion.

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CONSOLIDATED INCOME STATEMENT

1 January – 31 December

MSEK	Note	2012	2011
Sales	3, 4	24,010	23,498
Cost of goods sold		-16,820	-16,791
Gross income		7,190	6,707
Other operating income	5	338	1,351
Marketing expenses		-2,191	-1,879
Administrative expenses		-1,215	-1,217
Research and development costs		-2,096	-1,928
Other operating expenses	6	-19	-77
Share in income of associated companies	21	25	-16
Operating income	10, 11, 12	2,032	2,941
Share in income of associated companies	21	2	4
Financial income		153	162
Financial expenses		-281	-324
Net financial items	13	-126	-158
Income before taxes		1,906	2,783
Taxes	15	-367	-566
Net income for the year		1,539	2,217
Attributable to:			
Parent Company's shareholders		1,564	2,225
Non-controlling interest		-25	-8
Earnings per share before dilution (SEK)	34	14.81	21.19
Earnings per share after dilution (SEK)	34	14.33	20.38

ORDERS

Order bookings increased in the year compared to 2011, partly as a result of significant orders received in 2012 from FMV related to Gripen.

In all, 76 per cent (85) of order bookings were attributable to defence-related operations and 57 per cent (56) were attributable to customers outside Sweden.

During 2012, index and price changes had a positive effect on order bookings of MSEK 148 (308).

Orders received where the order sum was larger than MSEK 100 represented 52 per cent (48) of total order bookings.

The order backlog at the end of the year amounted to MSEK 34,151, compared to MSEK 37,172 at the beginning of the year.

Order backlog duration :

2013: SEK 16.1 billion

2014: SEK 7.9 billion

2015: SEK 4.6 billion

2016: SEK 2.7 billion

After 2016: SEK 2.9 billion

SALES BY REGION

MSEK	Jan-Dec 2012	Jan-Dec 2011
Sweden	8,765	8,679
EU excluding Sweden	4,640	4,514
Rest of Europe	390	320
Americas	2,780	1,899
Asia	4,886	5,176
Africa	1,345	1,789
Australia, etc.	1,204	1,121
Total	24,010	23,498

SALES BY MARKET SEGMENTS

MSEK	Jan-Dec 2012	Jan-Dec 2011
Air	9,283	10,611
Land	7,997	7,201
Naval	2,569	2,065
Civil Security	1,837	1,479
Commercial		
Aeronautics	1,477	1,309
Other	847	833
Total	24,010	23,498

SALES

Sales increased 2 per cent in the year compared to 2011 as a result of acquisitions. Excluding acquisitions sales decreased 2 per cent in the year.

Exchange rates had no significant impact on sales.

Sales in markets outside Sweden amounted to MSEK 15,245 (14,819), or 64 per cent (63) of total sales.

Of sales, 82 per cent (84) was related to the defence market.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	1 January – 31 December	
MSEK	2012	2011
Net income for the year	1,539	2,217
Other comprehensive income:		
Translation differences	-181	-60
Net gain/loss on cash flow hedges		
Change in value	45	22
Reversed through profit and/or loss	15	-278
Tax attributable to net gain/loss on cash flow hedges	14	69
Share of other comprehensive income in associated companies	-	-26
Other comprehensive income	-107	-273
Net comprehensive income for the year	1,432	1,944
of which Parent Company's shareholders' interest	1,463	1,995
of which non-controlling interest	-31	-51

INCOME, MARGIN AND PROFITABILITY

The gross margin improved in 2012 partly as a result of a different product and project mix compared to 2011.

The sale of aircraft in Saab's lease fleet of turboprop aircraft contributed positively to the gross margin in 2011 and 2012.

Marketing expenses increased in 2012 as a result of an increased level of marketing activities across the Group as well as activities related to the build-up of a stronger local presence in selected markets.

Total depreciation, amortisation and writedowns amounted to MSEK 1,189 (1,261). Depreciation and write-down of tangible fixed assets amounted to MSEK 403 (352), while depreciation of the leasing fleet amounted to MSEK 53 (114).

Total expenditures in research and development amounted to MSEK 5,946 (5,116). Of this MSEK 1,798 (1,355) were internally funded and a total of MSEK 292 (15) of that were capitalised. The increase of capitalised expenditures is mainly related to the development of the next generation Gripen, Gripen E. In order to strengthen our technology leadership and secure future offerings in current challenging market conditions, we see a continued need to invest in internally funded development going forward.

Amortisation and write-down of intangible fixed assets amounted to MSEK 733 (795), of which amortisation and write-down of capitalised development costs amounted to MSEK 590 (588).

The operating income was positively impacted by a reduced potential earn-out liability related to the acquisition of Sensis of MSEK 207. We estimate it to be unlikely that we will pay the level previously provided for the agreed additional consideration related to the Sensis acquisition in 2011. This is based on the current published information regarding the Federal Aviation Administration's acquisition strategy and schedules, including funding profiles for specific programmes where Saab Sensis is involved. Therefore, the potential earn-out liability has been reduced by MSEK 207.

The operating income in 2011 included capital gains of MSEK 1,169.

The share of income in associated companies was MSEK 25 (-16).

FINANCIAL NET

MSEK	Jan–Dec 2012	Jan–Dec 2011
Project interest from unutilised advance payment	-15	-30
Net interest items	71	33
Currency gains/losses	15	-32
Financial net related to pensions	-152	-60
Other net financial items	-45	-69
Total	-126	-158

Project interest is the return received on unutilised advance payments from customers that are received in connection with some orders. The return generated from this advance financing is recognised in gross income and reduces financial net.

Net interest items refer to return on liquid assets and short-term investments and interest expenses on short and long-term interestbearing liabilities. During 2012 lower interest rates in combination with an on average higher yearly cash position compared to 2011 led to a higher result.

The currency gains/losses reported above are related to the tender portfolio where the hedges were valued at fair value.

The financial net related to pensions decreased as a result of an increased unreported actuarial loss during 2011, which led to an increased amortisation of actuarial losses.

Other net financial items consisted of income from shares in associated companies and other exchange rate effects, for example exchange rate changes related to liquid assets in currencies other than SEK.

Current and deferred taxes amounted to MSEK -367 (-566), equivalent to an effective tax rate of 19 per cent (20). Current and deferred taxes decreased compared to 2011 as a result of a changed corporate tax in Sweden. As of 2013 the tax rate changes from 26.3 per cent previously to 22 per cent. The net impact from this change was MSEK 140 in the fourth quarter 2012.

The pre-tax return on capital employed was 14.2 per cent (22.2) and the after-tax return on equity was 11.3 per cent (18.1), both measured over a rolling 12-month period.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MSEK	Note	as of 31 December	
		2012	2011
Assets			
Intangible fixed assets	16	6,849	6,699
Tangible fixed assets	17	3,162	3,272
Lease assets	18	304	771
Biological assets	19	306	305
Investment properties	20	33	224
Shares in associated companies	21	300	288
Financial investments	25	193	197
Long-term receivables	27	879	1,046
Deferred tax assets	15	213	86
Total fixed assets		12,239	12,888
Inventories	28	4,420	4,334
Derivatives	41	514	520
Tax assets		39	23
Accounts receivable	29	3,454	3,153
Other receivables	27	2,548	3,579
Prepaid expenses and accrued income	30	886	829
Short-term investments	25	3,963	4,555
Liquid assets	31	1,616	1,918
Total current assets		17,440	18,911
Assets held for sale	32	-	-
TOTAL ASSETS		29,679	31,799

STATEMENT OF FINANCIAL POSITION

Since the start of 2012, the net liquidity has decreased by MSEK 928 and amounted to MSEK 4,405 at the end of December 2012. During the year Saab has acquired Sörman Information, Bayes Risk Management AS, HITT N.V., and MEDAV GmbH as well as paid out dividend to shareholders.

In 2009, Saab changed its view on the application of the accounting principles for development costs. As a result of this more conservative view, development costs are capitalised at a later stage in all projects and all capitalised development costs are amortised over maximum ten years. As a result of this, the capitalised development costs have been reduced from MSEK 3,628 at the end of 2008 to MSEK 1,751 at the end of 2012.

Inventories are recognised after deducting utilised advances.

Tangible fixed assets decreased as a result of divestments of lease assets and investment properties.

Other receivables decreased as a result of lower accrued revenues.

Provisions for pensions amounted to MSEK 11 (12). During the year, the Saab Pension Fund was capitalised with a total of MSEK 0 (102).

For more information about Saab's defined-benefit plans, see Note 37.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of 31 December

MSEK	Note	2012	2011
Equity	33		
Capital stock		1,746	1,746
Other capital contributions		543	543
Other reserves		316	457
Retained earnings		11,380	10,204
Equity attributable to Parent Company's shareholders		13,985	12,950
Non-controlling interest		112	119
Total equity		14,097	13,069
Liabilities			
Long-term interest-bearing liabilities	35	105	1,218
Other liabilities	39	305	439
Provisions for pensions	37	11	12
Other provisions	38	1,286	1,728
Deferred tax liabilities	15	981	1,012
Total long-term liabilities		2,688	4,409
Short-term interest-bearing liabilities	35	1,637	520
Advance payments from customers		553	1,022
Accounts payable		1,904	1,785
Derivatives	41	254	628
Tax liabilities		228	244
Other liabilities	39	760	747
Accrued expenses and deferred income	40	6,993	8,629
Provisions	38	565	746
Total current liabilities		12,894	14,321
Liabilities attributable to assets held for sale	32	-	-
Total liabilities		15,582	18,730
TOTAL EQUITY AND LIABILITIES		29,679	31,799

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

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 2011	1,746	543	648	-12	51	8,298	11,274	170	11,444	
Net comprehensive income for the year	-	-	-191	-39	-	2,225	1,995	-51	1,944	
Transactions with shareholders:										
Share matching plan	-	-	-	-	-	47	47	-	47	
Dividend	-	-	-	-	-	-367	-367	-	-367	
Acquisition and sale of non-controlling interest	-	-	-	-	-	1	1	-	1	
Closing balance, 31 December 2011	1,746	543	457	-51	51	10,204	12,950	119	13,069	
Opening balance, 1 January 2012	1,746	543	457	-51	51	10,204	12,950	119	13,069	
Net comprehensive income for the year	-	-	74	-175	-	1,564	1,463	-31	1,432	
Reallocation of revaluation reserve	-	-	-	-	-40	40	-	-	-	
Transactions with shareholders:										
Share matching plan	-	-	-	-	-	46	46	-	46	
Dividend	-	-	-	-	-	-474	-474	-	-474	
Acquisition and sale of non-controlling interest	-	-	-	-	-	-	-	24	24	
Closing balance, 31 December 2012	1,746	543	531	-226	11	11,380	13,985	112	14,097	

For a definition of other reserves, see Note 33.

CONSOLIDATED STATEMENT OF CASH FLOWS

MSEK	1 January – 31 December		
	Note	2012	2011
Operating activities			
Income after financial items		1,906	2,783
Transferred to pension fund		-	-132
Adjustments for items not affecting cash flow	46	1,179	141
Income tax paid		-574	-450
Cash flow from operating activities before changes in working capital		2,511	2,342
Cash flow from changes in working capital			
Increase(-)/Decrease(+) in inventories		-199	-243
Increase(-)/Decrease(+) in current receivables		707	-96
Increase(+)/Decrease(-) in advance payments from customers		-459	409
Increase(+)/Decrease(-) in other current liabilities		-1,701	610
Increase(+)/Decrease(-) in provisions		-509	-630
Cash flow from operating activities		350	2,392
Investing activities			
Investments in intangible fixed assets		-51	-26
Capitalised development costs		-292	-15
Investments in tangible fixed assets		-328	-325
Investments in lease assets		-1	-1
Sale of tangible fixed assets		10	23
Sale of lease assets		312	301
Sale of and investments in short-term investments		585	-2,967
Sale of and investments in other financial assets		26	306
Investments in operations and associated companies, net effect on liquidity	8, 46	-568	-1,135
Sale of subsidiaries and associated companies, net effect on liquidity	46	174	1,264
Cash flow from investing activities		-133	-2,575
Financing activities			
Repayment of loans		-19	-50
Dividend paid to Parent Company's shareholders		-474	-367
Cash flow from financing activities		-493	-417
CASH FLOW FOR THE YEAR	46	-276	-600
Liquid assets at beginning of year		1,918	2,544
Exchange rate difference in liquid assets		-26	-26
Liquid assets at year-end	46	1,616	1,918

For Saab's operating cash flow, see Note 46 and page 65.

CAPITAL EXPENDITURES

Gross capital expenditures in property, plant and equipment, excluding lease assets, amounted to MSEK 328 (325).

Investments in intangible assets amounted to MSEK 343 (41) of which MSEK 292 (15) related to capitalised product development and MSEK 51 (26) to other intangible assets. The capitalised product development increased as a result of the development of the next generation of Gripen, Gripen E.

CASH FLOW

Operating cash flow amounted to MSEK -396 (2,477). The lower level of operating cash flow in 2012 compared to 2011 is mainly a result of the net amount spent on acquisitions and divestments as well as utilisation of and reduction in advances and milestone payments.

The operating cash flow was distributed between cash flow from operating activities of MSEK 350 (2,392) and cash flow from investing activities excluding change in short-term investments and other interest-bearing financial assets of MSEK -746 (85), of which acquisitions and divestments amounted to MSEK -394 (129).

Saab has an established programme to sell accounts receivable to strengthen its financial position and increase financial flexibility. As of 31 December 2012, net receivables of MSEK 852 were sold, compared to MSEK 872 at 31 December 2011. Hence, it had a negative impact of MSEK 20 on operating cash flow for the the year.

For more detailed information on operating cash flow, see Note 46.

Specification of operating cash flow

MSEK	Saab excl acquisitions and divestments	Acquisitions and divestments	Total Group 2012	Total Group 2011
Cash flow from operating activities before changes in working capital	2,511	-	2,511	2,342
CASH FLOW FROM CHANGES IN WORKING CAPITAL				
Inventories	-199	-	-199	-243
Current receivables	707	-	707	-96
Advance payments from customers	-459	-	-459	409
Other current liabilities	-1,701	-	-1,701	610
Provisions	-509	-	-509	-630
Change in working capital	-2,161	-	-2,161	50
Cash flow from operating activities	350	-	350	2,392
INVESTING ACTIVITIES				
Investments in intangible fixed assets	-343	-	-343	-41
Investments in tangible fixed assets	-328	-	-328	-325
Investments in lease assets	-1	-	-1	-1
Sale of tangible fixed assets	10	-	10	23
Sale of lease assets	312	-	312	301
Investments in and sale of financial assets	-2	-	-2	-1
Investments in operations and associated companies, net effect on liquidity	-	-568	-568	-1,135
Sale of subsidiaries and associated companies, net effect on liquidity	-	174	174	1,264
Cash flow from investing activities excluding change in short-term investments and other interest-bearing financial assets	-352	-394	-746	85
OPERATING CASH FLOW¹⁾	-2	-394	-396	2,477

1) For a reconciliation of operating cash flow to cash flow for the year, see Note 46.

PARENT COMPANY INCOME STATEMENT

		1 January – 31 December	
MSEK	Note	2012	2011
Sales	3, 4	15,338	15,415
Cost of goods sold		-10,723	-11,785
Gross income		4,615	3,630
Marketing expenses		-1,385	-1,220
Administrative expenses		-716	-664
Research and development costs		-1,549	-1,143
Other operating income	5	77	219
Other operating expenses	6	-11	-3
Operating income		1,031	819
Result from financial items:	13		
Result from shares in Group companies		835	1,410
Result from shares in associated companies and joint ventures		12	59
Result from other securities and receivables held as fixed assets		-29	81
Other interest income and similar items		281	182
Interest expenses and similar items		-185	-207
Income after financial items		1,945	2,344
Appropriations	14	-481	-293
Income before taxes		1,464	2,051
Taxes	15	-499	-462
Net income for the year		965	1,589

SALES AND INCOME

The Parent Company includes units within the business areas Aeronautics, Electronic Defence Systems, Security and Defence Solutions and Support and Services. Group staff and Group support are included as well.

The Parent Company's sales in 2012 amounted to MSEK 15,338 (15,415). Operating income was MSEK 1,031 (819).

The operating income in 2011 included expenses of approximately MSEK 330 regarding increased pension obligations according to the FPG/PRI system due to changed mortality assumptions.

Net financial income and expenses was MSEK 914 (1,525). After appropriations of MSEK -481 (-293) and taxes of MSEK -499 (-462), net income for the year amounted to MSEK 965 (1,589).

PARENT COMPANY COMPREHENSIVE INCOME

		1 January – 31 December	
MSEK	Note	2012	2011
Net income for the year		965	1,589
Other comprehensive income		-	-
Net comprehensive income for the year		965	1,589

PARENT COMPANY BALANCE SHEET

as of 31 December

MSEK	Note	2012	2011
ASSETS			
Fixed assets			
Intangible fixed assets	16	1,661	1,938
Tangible fixed assets	17	2,126	2,137
Financial fixed assets			
Shares in Group companies	44	6,482	6,407
Receivables from Group companies	24	861	911
Shares in associated companies and joint ventures	23	565	552
Receivables from associated companies and joint ventures	24	-	17
Other long-term securities holdings	26	21	24
Other long-term receivables	27	49	34
Deferred tax assets	15	168	233
Total financial fixed assets		8,146	8,178
Total fixed assets		11,933	12,253
Current assets			
Inventories, etc.	28	3,385	3,152
Current receivables			
Accounts receivable	29	1,598	1,424
Receivables from Group companies		2,090	2,280
Receivables from associated companies and joint ventures		63	6
Tax assets		-	-
Other receivables	27	1,294	2,045
Prepaid expenses and accrued income	30	733	640
Total current receivables		5,778	6,395
Short-term investments		3,926	4,511
Cash and bank balances		949	1,237
Total current assets		14,038	15,295
TOTAL ASSETS		25,971	27,548

LIQUIDITY, FINANCING, CAPITAL EXPENDITURES AND NUMBER OF EMPLOYEES

The Parent Company's net debt amounted to MSEK 38 at 31 December 2012 compared to a net liquidity of MSEK 516 at 31 December 2011.

Gross capital expenditures in property, plant and equipment amounted to MSEK 185 (168).

Investments in intangible assets amounted to MSEK 48 (22).

At the end of December 2012, the Parent Company had 8,737 employees, compared to 7,873 at the beginning of the year.

PARENT COMPANY BALANCE SHEET

MSEK	Note	as of 31 December	
		2012	2011
EQUITY AND LIABILITIES			
Equity	33		
Restricted equity			
Capital stock		1,746	1,746
Revaluation reserve		707	713
Statutory reserve		543	543
Unrestricted equity			
Retained earnings		3,566	2,399
Net income for the year		965	1,589
Total equity		7,527	6,990
Untaxed reserves	45	1,276	795
Provisions			
Provisions for pensions and similar commitments	37	334	469
Other provisions	38	835	1,034
Total provisions		1,169	1,503
Liabilities			
Liabilities to credit institutions	36	1,100	1,100
Liabilities to Group companies		6,834	7,697
Advance payments from customers		291	471
Accounts payable		1,437	1,247
Liabilities to associated companies and joint ventures		47	51
Tax liabilities		88	101
Other liabilities	39	629	487
Accrued expenses and deferred income	40	5,573	7,106
Total liabilities		15,999	18,260
TOTAL EQUITY AND LIABILITIES		25,971	27,548
Assets pledged	42	10	10
Contingent liabilities	42	4,244	5,528

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 2011	1,746	718	543	2,714	-	5,721
Items reported directly in equity:						
Change in revaluation reserve	-	-5	-	5	-	-
Net comprehensive income for the year						
	-	-	-	-	1,589	1,589
Transactions with shareholders:						
Dividend to shareholders	-	-	-	-367	-	-367
Share matching plan	-	-	-	47	-	47
Closing balance, 31 December 2011	1,746	713	543	2,399	1,589	6,990
Opening balance, 1 January 2012	1,746	713	543	3,988	-	6,990
Items reported directly in equity:						
Change in revaluation reserve	-	-6	-	6	-	-
Net comprehensive income for the year						
	-	-	-	-	965	965
Transactions with shareholders:						
Dividend to shareholders	-	-	-	-474	-	-474
Share matching plan	-	-	-	46	-	46
Closing balance, 31 December 2012	1,746	707	543	3,566	965	7,527

PARENT COMPANY STATEMENT OF CASH FLOWS

MSEK	Note	1 January – 31 December	
		2012	2011
Operating activities			
Income after financial items		1,945	2,344
Adjustments for items not affecting cash flow	46	-397	-642
Income tax paid		-463	-328
Cash flow from operating activities before changes in working capital		1,085	1,374
Cash flow from changes in working capital			
Increase(-)/Decrease(+) in inventories		-21	-329
Increase(-)/Decrease(+) in current receivables		576	-296
Increase(+)/Decrease(-) in advance payments from customers		-185	373
Increase(+)/Decrease(-) in other current liabilities		-1,429	1,045
Increase(+)/Decrease(-) in provisions		-249	-559
Cash flow from operating activities		-223	1,608
Investing activities			
Shareholders' contributions paid		-32	-718
Investments in intangible fixed assets		-48	-22
Investments in tangible fixed assets		-188	-168
Sale of tangible fixed assets		-	17
Sale of and investments in short-term investments		585	-2,967
Sale of and investments in financial assets		50	1,176
Investments in operations		-	-41
Investments in subsidiaries		-482	-215
Sale of subsidiaries		191	2
Cash flow from investing activities		76	-2,936
Financing activities			
Change in receivables/liabilities, Group companies		-495	128
Repayment of loans		-412	-396
Dividend paid to shareholders		-474	-367
Group contributions and dividends received		1,378	1,297
Group contributions paid		-138	-32
Cash flow from financing activities		-141	630
CASH FLOW FOR THE YEAR			
		-288	-698
Liquid assets at beginning of year		1,237	1,935
Liquid assets at year-end	46	949	1,237

NOTE 1 Accounting Principles

Operations

Saab AB is a Swedish limited company with its registered address in Linköping. The company's shares are listed on the NASDAQ OMX Stockholm's large cap list. The operations of Saab AB with its subsidiaries, joint ventures and associated companies (jointly referred to as Saab or the Group) are divided into six business areas: Aeronautics, Dynamics, Electronic Defence Systems, Security and Defence Solutions, Support and Services, and Combitech. The operations in each business area are described in Note 4.

Saab has a strong position in Sweden and the large part of its sales are generated in Europe, in addition to which Saab has a local presence in South Africa, Australia, the U.S. and other selected countries.

On 15 February 2013, the Board of Directors and the President approved this annual report and consolidated accounts for publication, and they will be presented to the Annual General Meeting on 17 April 2013 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 Saab AB and the Group are the result of limitations on opportunities to apply IFRS by the Parent Company owing to the Annual Accounts Act, the Act on Safeguarding Pension Commitments and in certain cases current tax rules. 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.

Assets and liabilities are carried at historical cost, with the exception of certain financial assets and liabilities, investment properties and biological assets, which are carried at fair value or amortised cost. Derivatives are carried at fair value.

Non-current assets and disposal groups held for sale are carried at the lower of their carrying amount and fair value less selling expenses at the time they were classified as held for sale.

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

Application of new and revised accounting rules

IASB and IFRIC have issued and the EU has adopted the following new and revised standards, which apply as of the financial year 2012:

- IFRS 7 Financial instruments: Disclosures. Changes relate to the transfer of financial assets from the balance sheet.
- IAS 12 Income taxes. Changes relate to deferred tax.

These new and amended standards and interpretations have not had any effect on the Group's financial reports for 2012.

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 and IFRIC has published the following new and amended interpretations that have not yet entered into force:

Standards	Will apply to financial years beginning:
IAS 1 Presentation of financial statements	1 July 2012 (adopted by EU)
IAS 19 Employee benefits	1 January 2013 (adopted by EU)
IFRS 7 Financial Investments; Disclosures	1 January 2013 (adopted by EU)
IFRS 10 Consolidated Financial Statements	1 January 2014* (adopted by EU)
IFRS 11 Joint arrangements	1 January 2014* (adopted by EU)
IFRS 12 Disclosures of interests in other entities	1 January 2014* (adopted by EU)
IFRS 13 Fair value measurement	1 January 2013 (adopted by EU)
IAS 28 Investments in Associates and Joint Ventures	1 January 2014* (adopted by EU)
IAS 32 Financial instruments: Presentation	1 January 2014 (not adopted by EU)
IFRS 9 Financial instrument	1 January 2015 (not adopted by EU)

* Earlier application permitted

The effect on Saab of the application of IFRS 9 and IFRS 11 has not yet been determined.

Effects of amendments to IAS 19 Employee Benefits

Saab applies the current standard's option to apply the so-called corridor approach. This means that the effects of changes in so-called actuarial assumptions about pension liabilities and assets under management are not recognised directly but rather over the remaining period of employment (see also Note 1 and Note 37). The updated standard eliminates this option. This means that changes in actuary of assumptions, e.g. discount rates, are recognised directly in other comprehensive income. The updated standard also requires the company to use the same interest rate to discount pension liabilities as in the calculation of the projected return on assets under management.

The updated standard will be applied retroactively as of the first quarter of 2013. For Saab, this means an immediate increase in its net pension liability (classified as a financial liability) and a corresponding decrease in retained earnings after taking into account the tax effects. If the standard had been applied as of 31 December 2012, the net pension obligation would have been MSEK 2,863 higher (including special employer's contribution of MSEK 454), financial assets MSEK 741 lower and retained earnings MSEK 2,817 lower than reported in 2012. The effect on operating and net results for 2012 would not have changed significantly. The updated standard also contains rules on the reporting of the special employer's contribution and tax on returns from pension funds.

Other standards and interpretations are not expected to have a material effect on the consolidated financial statements.

Operating segments

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.

The Group had six reportable segments in the year:

- Aeronautics
- Dynamics
- Electronic Defence Systems
- Security and Defence Solutions
- Support and Services
- Combitech

Complementing the six segments is Corporate, which comprises Group staffs and departments as well as other non-core operations.

Sales of goods and services between segments are made on market terms.

A detailed description of the segments, together with the factors used to identify segments, can be found in Note 4 and on pages 46–51.

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 the sections below for each item. 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 analy-

sis. Goodwill is recognised according to the section on intangible fixed assets. 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

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. From the point in time when the significant influence arises, the shares in the associated company are recognised according to the equity method in the consolidated accounts. The equity method is applied until the point in time when the significant influence ceases. The equity method means that the carrying amount of the shares in the associated company corresponds to the Group's share of the company's equity based on an application of the Group's accounting principles as well as Group goodwill and any remaining Group surplus or deficit values. "Share in income of associated companies" in the income statement comprises the Group's share of the net income after tax and the non-controlling interest in associated companies adjusted for any depreciation, impairment loss or dissolution of acquired surplus and deficit values determined in the same way as for operating acquisitions. Dividends received from the associated company reduce the carrying amount of the investment.

If the Group's share of the accumulated deficit in an associated company exceeds the carrying amount of the shares in the Group, the value of the shares is reduced to nil. Losses are also offset against long-term uncollateralised financial balances that in their economic significance represent part of the owner-company's net investment in the associated company. Subsequent losses are not 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.

When decisive influence over the associated 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.

Joint ventures

Companies in which the Group, through a cooperative agreement with one of more parties, shares a decisive influence over operating and financial controls are recognised in the consolidated accounts according to the proportional method. For joint ventures, this means that the Group's share of the companies' revenue and expenses and their assets and liabilities is recognised in the consolidated income statement and statement of financial position based on application of the Group's accounting principles. This is done by combining Saab's share of revenue and expenses and assets and liabilities in the joint venture with the corresponding items in the consolidated accounts.

When a joint venture is terminated 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.

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 there that 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.

Revenue

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.

Sales of goods

Revenue from the sale of goods is recognised in profit or loss when the significant risks and benefits associated with ownership have 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

Revenue from service assignments 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; see below. Revenue is recognised only if it is likely that the economic benefits will accrue to the Group.

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. When such contracts concern development and hardware that can be reliably calculated, 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. With regard to orders that are financed to a significant extent with advance payment from customers, the effect on interest of advance financing is recognised in gross income. The interest amount that affected gross income is indicated in Note 13.

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.

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 impairment of intangible and tangible fixed assets. 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.
- 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; see below.
- 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.

Government grants

Government grants are recognised in the statement of financial position as prepaid or accrued income when there is reasonable certainty that the grant will be received and that the Group will meet the conditions associated with the grant. Grants are systematically 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.

Financial revenue and expenses

Financial revenue and expenses consist of interest income on bank balances, receivables and marketable securities, interest expenses on loans, dividends, exchange rate differences, unrealised and realised gains on financial investments, amortisation of actuarial gains and losses on pensions, and derivatives used in financial operations.

Intangible fixed assets*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 is included in the carrying amount of the shares in the associated company.

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 for 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 acquired 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 based on estimated production volume, but over a maximum period of 5 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.

Tangible fixed assets

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 impairment. 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.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset and takes a substantial period of time to prepare for its intended use or sale is capitalised as part of the asset's cost when it is likely that they will lead to future economic benefits for the Group and the expenditures can be measured reliably. Other borrowing costs are expensed in the period in which they arise.

Depreciation

Depreciation is booked on a straight-line basis based on the asset's cost less estimated residual value at the end of the period of use, over the asset's estimated period of use. Land is not depreciated. Component depreciation is applied, which means that fixed assets consisting of various components or where significant parts have different periods of use are depreciated as separate assets based on their periods of use.

Estimated periods of use:

- Operating properties: 20–90 years
- Plant and machinery: 5–10 years
- Equipment, tools, installations and computers: 3–10 years
- Aircraft: 20–25 years

Each asset's residual value and period of use are estimated annually. Periods of use are unchanged compared with the previous year.

Lease assets

Lease assets mainly refer to 19 aircraft owned by legal entities within Saab Aircraft Leasing and leased out via operating leases. Saab Aircraft Leasing's fleet consists of 61 Saab 340 and Saab 2000, of which 42 aircraft are leased in through operating leases and leased out through operating leases.

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.

For anticipated or established deficits according to current leases with respect to aircraft financing in Saab Aircraft Leasing, provisions are allocated at an amount corresponding to the obligation. See also Note 18.

Saab as lessor

At the end of the year, Saab only had operating leases. Leasing revenue is recognised on a straight-line basis over the leasing period. Direct expenditures that arise by entering into an operating lease are expensed on a straight-line basis over the leasing period.

Biological assets

Biological assets in the form of forests are carried at fair value after deducting estimated selling expenses. Fair value is based on the valuation of an independent appraiser.

Investment properties

Investment properties are properties held to earn rental income, for capital appreciation or a combination of both. Investment properties are carried in the 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.

Assets held for sale

When an asset is classified as held for sale, it means that its carrying amount will be recovered primarily through a sale rather than through use. In order to classify a fixed asset as an asset held for sale, the asset must be available for immediate sale and it has to be highly likely that a sale will take place.

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

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

Impairment

The carrying amount of fixed assets, with the exception of assets stated at fair value, is tested on each closing day for any indication of impairment. If an indication exists, the asset's recoverable amount is calculated. A description of impairment principles for available-for-sale financial assets is provided below.

For goodwill and other intangible fixed assets with an indeterminate period of use and intangible fixed assets not yet ready for use, recoverable values are calculated annually 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 (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.

Financial assets and liabilities and other financial instruments

Financial instruments recognised in the statement of financial position include, on the asset side, liquid assets, accounts receivable, shares, loans receivable, bonds receivable, derivatives and part of accrued income and other receivables. Liabilities include trade accounts payable, loans payable, derivatives and certain accrued expenses and other liabilities. Financial assets are recognised as of their settlement date.

Financial instruments are initially recognised at cost, corresponding to the instrument's fair value plus transaction expenses for all financial instruments with the exception of those in the category financial assets at fair value through profit or loss. 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 unlisted holdings. These valuation methods are based on the valuation of similar instruments, discounted cash flows or accepted valuation models such as Black-Scholes. Amortised cost is determined based on the effective interest rate calculated on the acquisition date.

A financial asset or financial 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. Liabilities are recognised when the counterparty has performed and there is a contractual obligation to pay, even if an invoice has not yet been received. Accounts payable are recognised when an invoice is received.

A financial asset is removed from the statement of financial position when the rights in the agreement are realised, expire or the company loses control over them. The same applies to part of a financial asset. A financial liability is removed from the 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 is in need of impairment. 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 assets and liabilities are classified in one of the following categories:

- Financial assets and liabilities at fair value through profit or loss: Assets and liabilities in this category are carried at fair value with changes in value recognised in profit or loss. This category consists of two subgroups: financial assets and liabilities held for trading and other financial assets and liabilities that the company initially chose to recognise 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 recognised at fair value through profit or loss, unless hedge accounting is applied.
- Held-to-maturity investments: Financial assets in this category relate to non-derivative assets with pre-determined or determinable payments and scheduled maturities that the company intends and has the ability to hold to maturity. They are valued at amortised cost.

- Loans receivable and accounts receivable: Loans receivable and accounts receivable are non-derivative financial assets with fixed payments which are not listed on an active market. Receivables arise when the company provides money, goods or services directly to the debtor without the intent to trade its claim. The category also includes acquired receivables. Assets in this category are recognised after acquisition at amortised cost. 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 an accounts 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 proceeds received are recognised as liquid assets. Other receivables are receivables that arise when the company provides money without the intent to trade its claim.
- Other financial liabilities: Liabilities classified as other financial liabilities are initially recognised at the amount received after deducting transaction expenses. After acquisition, the loans are carried 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 carried without discounting at their nominal amount.

Calculation of recoverable value

The recoverable value of financial assets in the categories held-to-maturity investments, loans receivable and accounts receivable measured at amortised cost is calculated using the present value of future cash flows discounted by the effective interest rate in effect when the asset was initially recognised. Assets with a maturity of less than one year are not discounted.

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

Liquid assets

Liquid assets consist of cash and cash equivalents, immediately accessible balances with banks and similar institutions, and short-term liquid investments with a maturity from acquisition date of less than three months, which are exposed to no more than an insignificant risk of fluctuation in value.

Financial investments

Financial investments comprise either financial fixed assets or short-term investments, depending on the intent of the holding. If the maturity or the anticipated holding period is longer than one year, they are considered financial fixed assets, and if it is shorter than one year they are short-term investments.

With recognition at fair value through profit or loss, changes in value are stated in financial revenue and expenses.

Valuation principles

The fair value of listed financial assets is determined using market prices. Furthermore, Saab applies various valuation methods to determine the fair value of financial assets that are traded on an inactive market or unlisted holdings. These methods are based on the valuation of similar instruments, discounted cash flows or customary valuation methods such as Black-Scholes. See Note 41.

Derivatives and hedge accounting

Derivatives include forward exchange contracts, options and swaps utilised to cover risks associated with changes in exchange rates and exposure to interest rate risks. Derivatives are recognised on their acquisition date at cost and subsequently at fair value.

Derivatives with positive values are recognised as assets and derivatives with negative values are recognised as liabilities under the heading deriva-

tives in the statement of financial position. Gains and losses on a derivative arising due to a change in fair value are recognised in profit or loss if the derivative is classified among financial assets and liabilities at fair value through profit or loss.

In hedge accounting, derivatives are classified as fair value hedges or cash flow hedges. The recognition of these hedging transactions is described below.

Cash flow hedges

Certain forward exchange contracts and currency swaps (hedge instruments) entered into to hedge future receipts and disbursements against currency risks are accounted for according to the rules for cash flow hedging. Derivatives that protect future receipts and disbursements 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 profit or loss, at which point the cumulative changes in value of the hedging instrument are transferred to profit or loss to meet and match the effects on earnings of the hedged transaction.

Interest rate exposure from future variable-rate liabilities is hedged with interest rate swaps. In its reporting, Saab applies cash flow hedging, which means that the change in value of the interest rate swap is recognised in other comprehensive income and separately recognised in the hedge reserve in equity. The change in value is recognised in financial revenue and expenses when transferred to profit or loss.

When the hedged future cash flow refers to a transaction that will be capitalised in the statement of financial position, the net gain or loss on cash flow hedges in equity is dissolved when the hedged item is recognised in the statement of financial position. If the hedged item is a non-financial asset or a non-financial liability, the reversal from the net gain or loss on cash flow hedges in equity is included in the original cost of the asset or liability. If the hedged item is a financial asset or financial liability, the net gain or loss on cash flow hedges in equity is gradually reversed through profit or loss at the same rate that the hedged item affects earnings.

When a hedging instrument expires, is sold or is exercised, or the company revokes the designation as a hedging relationship before the hedged transaction occurs and the projected transaction is still expected to occur, the recognised cumulative gain or loss remains in the net gain or loss on cash flow hedges 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.

Fair value hedges

Certain forward exchange contracts and currency swaps (hedge instruments) entered into to hedge future receipts and disbursements for currency and interest rate risk are accounted for according to the rules for fair value hedging. These hedges are recognised at fair value in the statement of financial position with regard both to the derivative itself and the future receipt or disbursement (hedge item) for the risk being hedged. The change in fair value of the derivative is recognised in the profit and loss together with the change in value of the hedged item.

Hedge of currency exposure in assets and liabilities

Currency exposure from an asset or liability is hedged with forward exchange contracts. No hedge accounting is applied, due to which both the hedged item and hedging instrument are recognised with respect to currency risk at fair value with changes in value through profit or loss. Changes in the value of operations-related receivables and liabilities are recognised in operating income, while changes in the value of financial receivables and liabilities are recognised in financial revenue and expenses.

Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in continuing operations after deducting estimated expenses for completion and expenses incurred in selling.

Cost is calculated by applying the first-in first-out method (FIFO) and includes expenses to acquire inventory assets and bring them to their present

location and condition. For 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.

Dividends

The dividend proposed by the Board of Directors reduces earnings available for distribution and is recognised as a liability when the Annual General Meeting has approved the dividend.

Employee benefits

The Group has two types of pension plans: defined-contribution and defined-benefit pension plans.

Defined-contribution plans

In defined-contribution plans, pensions are based on the premiums paid. Obligations with regard to defined-contribution plans are expensed in the income statement.

Defined-benefit plans

In defined-benefit plans, pensions are based on a percentage of the recipient's salary. Saab has around ten different types of defined-benefit plans. The predominant plan is the ITP plan, which accounts for approximately 80 per cent of the total obligation. The second largest plan refers to the state-funded retirement pension and vested pensions in Affärsverket FFV when it was incorporated on 1 January 1991.

The Group's net obligation for defined-benefit plans is calculated separately for each plan by estimating the future compensation that employees have earned through employment in present and previous periods. This compensation is discounted to present value. Saab has secured main part of the obligation through provisions to a pension fund, and the fair value of the fund's assets is offset against the provision for the pension obligation at present value in the statement of financial position. The discount rate to calculate the commitment at present value has been determined based on the interest rate on the closing day for a first-class mortgage bond with a maturity corresponding to the pension obligation. The calculation is made by a qualified actuary using the projected unit credit method.

When the compensation terms in a plan improve, the portion of the increased compensation attributable to the employees' services in previous periods is expensed through the income statement on a straight-line basis over the average period until the compensation is fully vested. If the compensation is fully vested, an expense is recognised directly through profit or loss.

The obligation is estimated on the closing day, and if the calculated amount deviates from the estimated commitment an actuarial gain or loss arises. All actuarial gains and losses as of 1 January 2004, the date of transition to IFRS, are recognised in equity and other items in the statement of financial position. For actuarial gains and losses that arise from the calculation of the Group's obligation for different plans after 1 January 2004, the so-called corridor method is applied. This means that the portion of the cumulative actuarial gains and losses exceeding 10 per cent of the higher of the commitments' present value and the fair value of assets under management is recognised over the expected average remaining period of employment of the employees covered by the plan. Actuarial gains and losses otherwise are not taken into account.

If pension obligations are lower than assets under management and actuarial losses, this amount is recognised as an asset.

When there is a difference in how the pension cost is determined for a legal entity and the Group, a liability or receivable for the special employer's contribution arises based on this difference.

Severance

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.

Share-based payment

Share-based payment refers solely to remuneration to employees, including senior executives. Share-based payment settled with the company's shares or other equity instruments is comprised of the difference between the fair value at the time these plans were issued and the consideration received. This remuneration is 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.

Share matching plan for employees

Saab has a Global Share Matching Plan where all 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, a plan was introduced for senior executives entitling them to 2–5 matching shares depending on the category the employee belongs to. In addition to the requirement that the employee remain employed by Saab after three years, there is also a requirement that earnings per share grow in the range of 5 to 15 per cent on average per year during the three-year period. See also Note 37.

Provisions

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.

Regional aircraft

A provision for an aircraft lease is recognised when future lease receipts are less than unavoidable lease disbursements.

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.

Loss contracts

A provision for a loss 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.

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.

Contingent liabilities

A contingent liability exists if there is a possible commitment stemming from events whose occurrence is dependent on one or more uncertain future events and there is a commitment that is not 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.

Taxes

Income taxes consist of current tax and deferred tax. Income taxes are recognised in profit or loss unless the underlying transaction is recognised in other comprehensive income, whereby 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 or essentially set as of the closing day to taxable income and adjusting for current tax attributable to previous periods.

Deferred tax is calculated according to the balance sheet method based on temporary differences that constitute the difference between the carrying amount of assets and liabilities and their value for tax purposes. Deductible temporary differences are not taken into account in the initial reporting of assets and liabilities in a transaction other than a business combination and which, at the time of the transaction, do not affect either the recognised or taxable result. Moreover, temporary differences are not taken into account if they are attributable to shares in subsidiaries and associated companies that are not expected to be reversed within the foreseeable future. The valuation of deferred tax is based on how the carrying amounts of assets or liabilities are expected to be realised or settled. Deferred tax is calculated by applying the tax rates and tax rules that have been set or essentially are set as of the closing day.

Deferred tax assets from deductible temporary differences and tax loss carry forwards are only 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.

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 value 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. All leases are recognised according to the rules for operating leasing.

Borrowing costs

The Parent Company recognises borrowing costs as an expense in the period in which they arise.

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 impairment and financial current assets according to the lowest value principle. If the reason for impairment has ceased, it is reversed.

The Parent Company does not apply the rules for setting off financial assets and liabilities.

Derivatives and hedge accounting

Derivatives that are not used for hedging are carried by the Parent Company according to the lowest value principle. For derivatives used for hedging, recognition is determined by the hedged item. This means that the derivative is treated as an off balance sheet item as long as the hedged item is 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 impairment is not required.

Group contributions received and paid are recognised through profit or loss in financial income and expenses.

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, solution 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 then 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 is critical in revenue recognition and provisions for loss contracts as well as inventory valuations, and the outcome of technical and commercial risks may affect income.

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 Gripen, electronic warfare systems, Air Traffic Management (ATM), radar and sensors. Capitalised development costs amount to MSEK 1,751 (1,950). 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 period of use, up to a maximum of 5 years, with the exception of acquired development costs, where the maximum period of use is 10 years. Projected production volumes and periods of use may later be reassessed, which could necessitate impairment.

Impairment testing of goodwill

In the calculation of cash-generating units to determine whether there is a need for 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 4,581 (4,223).

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 7,165 (6,541). 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. Due to the revisions to the reporting standard IAS 19, which enter into force in 2013, the so-called corridor approach will disappear. This means that changes in actuarial gains and losses directly affect the pension obligation and hence the Group's financial position.

NOTE 3 Revenue Distribution**Revenue by significant source**

MSEK	Group		Parent Company	
	2012	2011	2012	2011
Sale of goods	4,147	3,999	2,412	1,669
Long-term customer contracts	13,965	13,811	8,764	9,653
Service assignments	5,893	5,684	4,162	4,090
Royalties	5	4	-	3
Total	24,010	23,498	15,338	15,415

Sale of goods

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

Long-term customer contracts

Long-term customer contracts relate to the development and manufacture of complex systems that stretch across several accounting periods.

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

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.

Royalties

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

NOTE 4 Segment Reporting

Saab is one of the world's leading high technology companies, operating principally in the areas of defence, aeronautics and civil security. Operations primarily comprise well-defined areas in defence electronics and missile systems as well as military and civil aeronautics. 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 local presence in South Africa, Australia, the U.S. and other selected countries. As a result of a reorganisation as of 1 January 2010, Saab is divided into five business areas, which also represent operating segments, Aeronautics, Dynamics, Electronic Defence Systems, Security and Defence Solutions, and Support and Services. As of 2011 Combitech is also reported as a business area and an operating segment. The business areas are described below. Complementing them is Corporate, which comprises Group staffs and departments as well as other non-core operations.

Aeronautics

Aeronautics engages in advanced development of military and civil aviation technology. The product portfolio includes the Gripen fighter and Unmanned Aerial Systems (UAS). Aeronautics also manufactures aircraft components for Saab's own aircraft as well as passenger aircraft produced by others.

Dynamics

Dynamics offers a highly competitive product range comprising ground combat weapons, missile systems, torpedoes, unmanned underwater vehicles and signature management systems for armed forces as well as spin-off niche products for the civil and the defence market, such as unmanned underwater vehicles for the off-shore industry and 3D-mapping for the defence market.

Electronic Defence Systems

The operations are based on Saab's close interaction with customers requiring efficient solutions for surveillance and for threat detection, location and protection. This has created a unique competence in the area of radar and electronic warfare, and a product portfolio covering airborne, land-based and naval radar, electronic support measures and self-protection systems. For increased flight mission efficiency and flight safety we supply mission avionics and safety critical avionics computers for both civil and military customers.

Security and Defence Solutions

The operations comprise products and solutions in the areas of military command and control, airborne early warning, training and simulation, air traffic management, maritime security, security and surveillance, and secure, robust communication.

Support and Services

Support and Services offer reliable, cost-effective service and support for all of Saab's markets. This primarily includes integrated support solutions, technical maintenance and logistics, and products, solutions and services for military and civil missions in locations with limited infrastructure.

Combitech

Combitech, an independent subsidiary of the Saab Group, is one of Sweden's largest technology consulting firms. They create solutions for our customers' specific needs through a combination of high technology and expertise on the environment and security.

Significant items not affecting cash flow

Significant items not affecting cash flow in 2012 are a non-recurring item of MSEK 207, pertaining to a reduced liability for a contingent consideration related to the acquisition of Sensis in 2011. This is divided by operating segment as follows: Electronic Defence Systems MSEK 154 (0) and Security and Defence Solutions MSEK 53 (0). No significant items not affecting cash flow were reported for 2011.

Information on major customers

Saab has one customer, the Swedish Defence Materiel Administration (FMV), which accounts for 10 per cent or more of the Group's revenue. FMV is a customer of every business area, generating total revenue of MSEK 6,524 (6,555) in 2012.

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.

NOTE 4, CONT.

Group MSEK	Aeronautics		Dynamics		Electronic Defence Systems		Security and Defence Solutions		Support and Services		Combitech		Corporate		Eliminations		Group	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
External revenue	5,876	6,168	4,667	4,219	3,652	3,928	5,852	5,507	3,172	3,143	819	618	-28	-85	-	-	24,010	23,498
Internal revenue	200	183	112	116	624	633	124	197	239	285	591	382	-	1	-1,890	-1,797	-	-
Total revenue	6,076	6,351	4,779	4,335	4,276	4,561	5,976	5,704	3,411	3,428	1,410	1,000	-28	-84	-1,890	-1,797	24,010	23,498
Operating income before share in in- come of associated companies	359	332	614	482	118	297	417	394	410	426	122	92	-33	934	-	-	2,007	2,957
Share in income of as- sociated companies	-	-	7	2	-1	-	-	-	-	-	-	-	19	-18	-	-	25	-16
Operating income	359	332	621	484	117	297	417	394	410	426	122	92	-14	916	-	-	2,032	2,941
Share in income of as- sociated companies	-	-	2	6	-	-	-	-	-	-	-	-	-	-2	-	-	2	4
Financial income	49	52	9	16	2	15	39	34	3	3	-	1	208	234	-157	-193	153	162
Financial expenses	-83	-88	-23	-20	-45	-36	-56	-80	-22	-29	-3	-2	-206	-262	157	193	-281	-324
Income before taxes	325	296	609	486	74	276	400	348	391	400	119	91	-12	886	-	-	1,906	2,783
Taxes	-22	-96	-164	-135	122	92	-41	-54	-21	-26	-33	-25	-208	-322	-	-	-367	-566
Net income for the year	303	200	445	351	196	368	359	294	370	374	86	66	-220	564	-	-	1,539	2,217
Assets	5,587	6,104	3,865	4,104	7,445	8,698	6,812	6,503	2,468	2,403	762	567	17,579	19,170	-14,839	-15,750	29,679	31,799
Of which shares in as- sociated companies	-	-	62	55	10	11	-	-	-	-	-	-	228	222	-	-	300	288
Liabilities	5,269	5,945	2,321	2,535	3,519	4,400	4,205	4,088	1,710	1,638	431	274	5,607	8,659	-7,480	-8,809	15,582	18,730
Operating cash flow	-425	223	498	588	-238	413	-191	584	387	420	-43	87	-384	162	-	-	-396	2,477
Capital employed	2,285	2,103	2,284	2,359	4,690	5,037	3,879	3,309	1,301	1,243	493	381	8,276	7,328	-7,358	-6,941	15,850	14,819
Investments	330	35	61	102	93	92	56	27	5	2	10	3	117	106	-	-	672	367
Depreciation and amortisation	233	247	173	168	404	488	138	108	19	18	8	2	197	209	-	-	1,172	1,240
Impairments	-	-	-	-	17	-	-	-	-	-	-	-	-	21	-	-	17	21

Geographical areas

Group MSEK	Sweden		Rest of EU		Rest of Europe		North America		Latin America	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
External revenue ¹⁾	8,765	8,679	4,640	4,514	390	320	2,609	1,803	171	96
as % of revenue	36	37	19	19	2	1	11	8	1	-
Fixed assets	9,138	9,530	540	115	43	29	1,794	2,377	5	5

Group MSEK	Asia		Africa		Australia, etc.		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
External revenue ¹⁾	4,886	5,176	1,345	1,789	1,204	1,121	24,010	23,498
as % of revenue	20	22	6	8	5	5	100	100
Fixed assets	31	19	449	550	239	263	12,239	12,888

1) External sales are distributed according to the market where the customer is domiciled.

NOTE 4, CONT.

Revenue by operating segment

Parent Company		
MSEK	2012	2011
Aeronautics	5,896	6,178
Electronic Defense Systems	3,361	3,631
Security and Defence Solutions	3,045	2,538
Support and Services	3,036	3,068
Total	15,338	15,415

Revenue by geographical market

Parent Company		
MSEK	2012	2011
Sweden	7,494	7,380
Rest of EU	2,324	1,857
Rest of Europe	142	51
North America	1,175	916
Latin America	101	33
Asia	3,150	3,793
Africa	570	851
Australia, etc.	382	534
Total	15,338	15,415

NOTE 5 Other Operating Income

MSEK	Group		Parent Company	
	2012	2011	2012	2011
Gain from reduction in earn out liability	207	-	-	-
Gain from other operating activities	34	47	16	-
Trading result	31	32	31	32
Government grants	21	23	20	21
Gain on sale of associated companies	11	193	-	-
Exchange rate gains on operating receivables/liabilities and change in value of derivatives	9	52	-	16
Gain on sale of intangible and tangible fixed assets	4	4	3	148
Change in fair value of biological assets	1	6	-	-
Gain on sale of Group companies	1	976	-	-
Other	19	18	7	2
Total	338	1,351	77	219

Trading result refers to the result in Saab Treasury from trading in currency and money market instruments according to the risk mandate approved by the Board of Directors; see Note 41.

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

Gain on sale of Group companies 2011 primarily refers to C3 Technologies AB.

NOTE 6 Other Operating Expenses

MSEK	Group		Parent Company	
	2012	2011	2012	2011
Loss from other operating activities	-4	-33	-	-
Loss on sale of tangible fixed assets	-3	-3	-3	-3
Revaluation of investment properties	-1	-12	-	-
Exchange rate losses on operating receivables/liabilities and change in value of derivatives	-2	-3	-8	-
Loss on sale of Group companies	-2	-	-	-
Other	-7	-26	-	-
Subtotal	-19	-77	-11	-3
Change in fair value of derivatives	-	6	-	-
Change in value of contracted flows	-	-6	-	-
Subtotal	-	-	-	-
Total	-19	-77	-11	-3

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

NOTE 7 Government Grants

Saab receives government grants, mainly various grants from EU related to research and development projects. For 2012, MSEK 85 (78) has been received. MSEK 87 (85) 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 42 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 2012, the National Debt Office has paid out a net of MSEK 263 (263), which reduces inventory in the financial statements.

No contingent liabilities or contingent assets are reported.

NOTE 8 Business Combinations**HITT**

On 6 August, Saab announced that it had made a public cash offer of EUR 6.60 per share for all issued and outstanding ordinary shares of the Dutch company HITT N.V. HITT is a leading player in the worldwide markets for traffic management and navigation systems. It had 188 employees mainly based in the Netherlands, North America and Hong Kong.

On 27 August, Saab announced that it had entered into a purchase agreement with HITT's majority shareholder, which held 53 per cent of the issued and outstanding shares, for the purchase price of EUR 7.00 per share. As a result of the transaction, Saab gained control over HITT and the offer thereby continued as an unconditional mandatory offer for the offer price of EUR 7.00 per share. The offer period ended on 2 October. As of 31 December, Saab had acquired 98.9 per cent of the issued and outstanding shares in HITT.

The acquisition of HITT is in line with Saab's overall strategy to become a leading player in the market for traffic management. The combination of HITT and Saab will strengthen Saab's market presence and provide a strong portfolio of products, combining innovative software systems with state of the art sensor systems.

NOTE 8, CONT.

Purchase price analysis for HITT

	MEUR	MSEK
Purchase consideration		
Purchase price paid as of 31 December	32	259
Debt for remaining shares	-	3
Total consideration	32	262
Effect on liquid assets		
Purchase price paid as of 31 December	32	259
Less: Liquid assets in the acquired company	-2	-19
Effect on liquid assets	30	240
The fair value of the identifiable assets and liabilities of HITT as at the date of the acquisition were:		
Intangible fixed assets:		
Order backlog	1	9
Development costs	3	26
Tangible fixed assets	1	4
Financial fixed assets	-	3
Other current assets	18	144
Liquid assets	2	19
Total assets	25	205
Total liabilities	12	104
Total identifiable net assets at fair value	13	101
Goodwill	19	161
Purchase consideration	32	262

The goodwill of MSEK 161 comprises the value of expected synergies through the consolidation of the operations of Saab and HITT arising from the acquisition. None of the acquired goodwill is expected to be deductible for income tax purposes.

The fair value of intangible fixed assets amounted to MSEK 35.

From the date of acquisition, HITT has contributed MSEK 119 to sales and MSEK 4 to income before taxes. If the acquisition had taken place at the beginning of the year, sales would have increased by MSEK 309 and income before taxes would have decreased by approximately MSEK 2.

The transaction costs of MSEK 12 have been expensed and are included in administrative expenses (included in cash flows from operating activities).

MEDAV

On October 26, Saab announced an agreement to acquire 100 per cent of the German company MEDAV GmbH, specialised in the application of signal processing, pattern recognition and information technology. MEDAV had 75 employees. The acquisition was completed on 28 November for approximately MEUR 22, about MSEK 193 (effect on liquid assets). In addition, the parties agreed on a maximum potential earn out payment of MEUR 7. Saab has estimated the earn out payment at MEUR 5.

The acquisition advances Saab's position in radio monitoring and intelligence fusion systems and strengthens the market presence globally as well as in Europe. The acquisition provides a growth platform from which Saab can build on the combined installed base and skills in systems engineering, design and integration. MEDAV's customers and partners will benefit from Saab's overall product portfolio and global support operations.

Preliminary purchase price analysis for MEDAV

	MEUR	MSEK
Purchase consideration		
Purchase price paid 28 November	22	194
Contingent consideration	5	40
Total consideration	27	234
Effect on liquid assets		
Purchase price paid 28 November	22	194
Less: Liquid assets in the acquired company	-	-1
Effect on liquid assets	22	193
The fair value of the identifiable assets and liabilities of MEDAV as at the date of the acquisition were:		
Intangible fixed assets:		
Technology	9	77
Patents	3	22
Order backlog	5	42
Tangible fixed assets	-	3
Financial fixed assets	-	1
Other current assets	13	111
Liquid assets	-	1
Total assets	30	257
Total liabilities	15	130
Total identifiable net assets at fair value	15	127
Goodwill	12	107
Purchase consideration	27	234

The goodwill of MSEK 107 comprises the value of expected synergies through the consolidation of the operations of Saab and MEDAV arising from the acquisition. None of the acquired goodwill is expected to be deductible for income tax purposes.

The fair value of intangible fixed assets amounted to MSEK 141.

The seller and the buyer have agreed on a two-year earn out period between 1 January 2013 and 31 December 2014. The contingent consideration of MEUR 7 is split into two parts: one if determined EBIT targets are achieved and one if determined EBIT targets are exceeded.

Of the purchase price, MEUR 3 is deposited in an escrow account to cover warranties and representations.

From the date of the acquisition, MEDAV has contributed MSEK 5 to sales and MSEK -4 to income before taxes. If the acquisition had taken place at the beginning of the year, sales would have increased by MSEK 153 and income before taxes would have decreased by approximately MSEK 1.

The transaction costs of MSEK 2 have been expensed and are included in administrative expenses (included in cash flows from operating activities).

Other acquisitions

In January, Saab announced that the independent subsidiary Combitech had acquired the consulting firm Sörman Intressenter AB, parent company of Sörman Information AB (Sörman). Sörman had 168 employees.

In June, Saab announced that it had acquired 100 per cent of the shares in Täby Displayteknik AB, a subsidiary of ISD Technologies AB. Täby Displayteknik AB, which develops simulator solutions, had twelve employees. It has, for example, developed the Joint Fires Synthetic Training (JFIST®) for virtual joint exercises with the various weapons system used by air, naval and ground forces.

In July, Saab announced that the subsidiary Combitech had signed an agreement to acquire 70 per cent of the Norwegian consulting firm Bayes Risk Management AS. The company, which had approximately 30 employees, delivers services in field of risk analysis for the oil and gas industry as well as for the financial market. Combitech has an option to acquire the remaining 30 per cent of the shares within 18 months.

NOTE 8, CONT.

Total consideration for these acquisitions amounted to MSEK 176, of which MSEK 134 was paid up-front in cash and MSEK 42 is estimated additional consideration that may be paid out based on future earnings. The additional consideration is capped at MSEK 105. Acquired assets consist of capitalised development costs, customer relationships, equipment, working capital items and deferred tax liability and amount to a total net of MSEK 43. Goodwill arising from the acquisitions amount to MSEK 153, and is mainly explained by future synergies and assembled workforce. Sales from the acquired entities amount to approximately MSEK 170.

NOTE 9 Employees and Staff Costs**Average number of employees**

	2012	of whom men	2011	of whom men
Parent Company				
Sweden	8,063	80%	7,566	80%
United Arab Emirates	16	100%	15	93%
South Africa	11	82%	12	92%
Brazil	9	67%	6	83%
USA	9	100%	4	100%
Pakistan	9	100%	-	-
Thailand	7	86%	6	83%
Poland	5	80%	1	100%
India	4	75%	4	50%
Saudi Arabia	3	100%	3	100%
France	3	100%	3	100%
Norway	3	100%	-	-
Czech Republic	3	100%	2	100%
Belgium	3	67%	1	100%
Turkey	3	67%	-	-
Malaysia	3	67%	-	-
Canada	2	100%	3	100%
Kenya	2	100%	-	-
Croatia	2	50%	-	-
Switzerland	1	100%	-	-
Australia	1	100%	1	100%
Germany	1	100%	1	100%
UK	1	100%	1	100%
South Korea	-	-	1	100%
Chile	-	-	1	100%
Parent Company, total	8,164	80%	7,631	80%

	2012	of whom men	2011	of whom men
Group companies				
Sweden	2,892	78%	2,435	79%
South Africa	858	72%	1,081	71%
USA	677	73%	698	74%
Australia	327	78%	320	80%
UK	170	82%	135	80%
Czech Republic	140	80%	137	76%
Netherlands	119	91%	4	100%
Norway	88	76%	51	86%
Germany	88	82%	22	91%
Denmark	68	85%	71	86%
Finland	54	74%	73	75%
Canada	53	85%	12	92%
Switzerland	48	100%	48	100%
India	33	70%	37	78%
Kenya	32	100%	33	100%
Hongkong	14	71%	-	-
South Korea	5	80%	4	75%
Chile	1	100%	2	50%
Japan	1	100%	1	100%
Singapore	1	-	1	-
Greece	1	100%	1	100%
Nigeria	-	-	4	75%
Hungary	-	-	2	50%
Slovenia	-	-	2	100%
United Arab Emirates	-	-	1	-
Group companies, total	5,670	77%	5,175	76%
Joint ventures				
Sweden	-	-	8	88%
Joint ventures, total	-	-	8	88%
Group total	13,834	79%	12,814	79%

The average number of employees has been calculated as the average of the number of full-time equivalents. 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	2012	2011
Parent Company		
Board of Directors	22	22
Other senior executives	36	29

NOTE 9, CONT.

Salaries, other remuneration and social security expenses

MSEK	2012		2011	
	Salaries and other remuneration	Social security expenses	Salaries and other remuneration	Social security expenses
Parent Company	4,223	1,480	3,960	2,043
of which pension costs		442		1,066 ¹⁾
Group companies	2,867	1,080	2,443	225
of which pension costs ³⁾		610		-174
Joint ventures	-	-	5	2
of which pension costs		-		1
Group, total	7,090	2,560	6,408	2,270
of which pension costs		1,052		893 ²⁾

1) Of the Parent Company's pension costs, MSEK 18 (8) refers to the Board and President, including deputies and Executive Vice Presidents. The company's outstanding pension obligations for these individuals amount to MSEK 62 (45), of which MSEK 62 (45) refers to former Board members and Presidents, including deputies and Executive Vice Presidents.

2) Of the Group's pension costs, MSEK 29 (18) refers to the Group's boards and Presidents, including Group companies. The Group's outstanding pension obligations for these individuals amount to MSEK 68 (48), of which MSEK 62 (45) refers to former board members and Presidents.

3) Adjustment according to different accounting principles regarding defined-benefit plans between Parent Company and Group. See also Note 1.

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

MSEK	2012		2011	
	Board, President and Vice Presidents	Other employees	Board, President and Vice Presidents	Other employees
Parent Company	19	4,204	20	3,940
of which variable remuneration	-	-	-	-
Group companies	57	2,810	68	2,375
of which variable remuneration	4	-	6	-
Joint ventures	-	-	-	5
Group total	76	7,014	88	6,320
of which variable remuneration	4	-	6	-

Of the salaries and remuneration paid to other employees in the Group, MSEK 40 (44) refers to senior executives other than Board members and the President.

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

NOTE 10 Auditors' Fees and Compensation

MSEK	Group		Parent Company	
	2012	2011	2012	2011
PwC				
Audit assignments	15	15	9	7
Audit work in excess of the audit assignment	1	5	1	5
Tax advice	2	1	-	-
Other services	3	1	4	1
Other				
Audit assignments	2	1	-	-
Total	23	23	14	13

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.

Other services relate to expenses that are not classified as audit assignments, audit work in excess of the audit assignment and tax advice.

NOTE 11 Operating Expenses

MSEK	Group	
	2012	2011
Raw materials, materials and consumables	5,059	5,135
Subsystems and equipment	961	1,567
Purchased services	1,990	2,091
Change in inventory of finished goods and work in progress, excluding write down	119	267
Personnel costs	9,650	8,678
Depreciation and amortisation	1,119	1,126
Impairments	29	-73
Other expenses	3,395	3,024
Total	22,322	21,815

Operating expenses refer to cost of goods sold, marketing expenses, administrative expenses and research and development costs. Depreciation and amortisation in the leasing operations (Saab Aircraft Leasing) are not included in depreciation and amortisation above.

NOTE 12 Depreciation/Amortisation and Impairments

Group	2012	2011
MSEK		
Depreciation/amortisation		
Capitalised development costs	-590	-588
Other intangible fixed assets	-143	-186
Operating properties	-95	-80
Plant and machinery	-193	-172
Equipment, tools and installations	-96	-99
Leasing aircraft	-53	-114
Other lease assets	-2	-1
Total	-1,172	-1,240
Impairments		
Goodwill	-	-21
Capitalised development costs	-	-
Operating properties	-	-
Plant and machinery	-17	-
Equipment, tools and installations	-	-
Total	-17	-21

In 2012, impairments of MSEK 17 were recognised on plant and machinery with regard to a demonstrator system within Electronic Defence Systems. In 2011, goodwill impairment of MSEK 21 was recognised for companies in the venture portfolio.

Parent Company	2012	2011
MSEK		
Depreciation/amortisation		
Capitalised development costs	-200	-200
Goodwill	-39	-39
Other intangible fixed assets	-86	-146
Buildings	-65	-58
Plant and machinery	-105	-108
Equipment, tools and installations	-53	-50
Total	-548	-601

NOTE 13 Financial Income and Expenses

Group	2012	2011
MSEK		
Interest income on loans receivable	162	186
Financial income from revaluation of financial assets and liabilities measured at fair value through profit or loss	6	-
Dividends	-	5
Other financial income	-	1
Less project interest applied to gross income	-15	-30
Financial income	153	162
Interest expenses on loans and financial liabilities	-100	-140
Financial expenses from revaluation and disposal of financial assets and liabilities measured at fair value through profit or loss	-13	-110

Group	2012	2011
MSEK		
Financial expenses related to pensions	-152	-60
Other financial expenses	-16	-14
Financial expenses	-281	-324
Share in income of associated companies	2	4
Net financial income and expenses	-126	-158

Parent Company	Result from shares in Group companies		Result from shares in associated companies/joint ventures	
MSEK	2012	2011	2012	2011
Dividends	55	543	-	2
Group contributions received	915	1,087	-	-
Group contributions paid	-68	-144	-	-
Capital gain on sale of shares	38	68	-3	43
Impairments	-47	-128	-	-
Other	-58	-16	15	14
Total	835	1,410	12	59

Parent Company	Result from other securities and receivables held as fixed assets		Other interest income and similar profit/loss items	
MSEK	2012	2011	2012	2011
Interest income, Group companies	-	-	127	66
Other interest income	-	-	169	146
Capital gain on sale of shares	-	112	-	-
Impairment	-2	-4	-	-
Dividends	-	26	-	-
Translation differences	33	43	-	-
Net change in value from revaluation of financial assets/liabilities	-39	-77	-	-
Less project interest applied to gross income	-	-	-15	-30
Other	-21	-19	-	-
Total	-29	81	281	182

Parent Company	Interest expenses and similar profit/loss items	
MSEK	2012	2011
Interest expenses, Group companies	-110	-120
Other interest expenses	-75	-87
Total	-185	-207

NOTE 14 Appropriations

Parent Company		
MSEK	2012	2011
Buildings and land	16	17
Plant and machinery as well as equipment, tools and installations	17	40
Total difference between tax depreciation and depreciation according to plan	33	57
Tax allocation reserve	-514	-350
Total	-481	-293

NOTE 15 Taxes**Tax recognised through profit or loss**

Group		
MSEK	2012	2011
Current tax expense (-)/tax income (+)		
Taxes for the year	-557	-442
Adjustment for taxes related to previous years	-14	18
Total	-571	-424
Deferred tax expense (-)/tax income (+)		
Deferred tax related to temporary differences	159	-186
Deferred tax related to value of tax loss carry forwards capitalised during the year	39	48
Deferred tax expense due to utilisation of previously capitalised tax value in tax loss carry forwards	-17	-2
Deferred tax related to previous years	23	-2
Total	204	-142
Total recognised tax in the Group	-367	-566

The Group's overall deferred tax amounts to MSEK 204 (-142) and current tax expense for the year amounts to MSEK -571 (-424), producing a total recognised tax of MSEK -367 (-566) in the consolidated income statement. The table "Change in deferred tax in temporary differences and tax loss carry forwards" for the Group, on page 89, specifies how deferred tax affects income.

Parent Company

MSEK	2012	2011
Current tax expense (-)/tax income (+)		
Taxes for the year	-411	-278
Adjustment for taxes related to previous years	-23	-
Total	-434	-278
Deferred tax expense (-)/tax income (+)		
Deferred tax related to temporary differences	-88	-184
Deferred tax expense due to utilisation of previously capitalised tax value in tax loss carry forwards	-	-
Deferred tax related to previous years	23	-
Total	-65	-184
Total recognised tax in the Parent Company	-499	-462

Reconciliation of effective tax

Group				
MSEK	2012 (%)	2012	2011 (%)	2011
Income before taxes		1,906		2,783
Tax according to current tax rate for the Parent Company	-26.3	-501	-26.3	-732
Effect of other tax rates for foreign operations	-0.1	-2	0.6	15
Effect of changed tax rate in Sweden	7.3	140	-	-
Non-deductible expenses	-5.6	-106	-4.9	-135
Tax-exempt income	6.5	124	10.1	280
Tax on additional, uncapitalised tax loss carry forwards	-0.3	-7	-0.4	-12
Tax related to previous years	-0.7	-14	0.6	18
Other	-0.1	-1	-	-
Reported effective tax	-19.3	-367	-20.3	-566

The reduction in a liability for a conditional consideration and operations divested during the year generated tax-exempt gains totalling MSEK 233 (952). In connection with dividends from Group companies in certain non-European countries, taxation may exceed normal company tax. The dividend paid to shareholders has no tax consequences.

Parent Company

MSEK	2012 (%)	2012	2011 (%)	2011
Income before taxes		1,464		2,051
Tax according to current tax rate for the Parent Company	-26.3	-385	-26.3	-539
Tax allocated to permanent establishment offshore	-0.2	-3	-	-
Non-deductible expenses	-7.3	-107	-6.8	-140
Tax-exempt income	2.0	29	10.6	217
Effect of changed tax rate in Sweden	-2.3	-33	-	-
Reported effective tax	-34.1	-499	-22.5	-462

NOTE 15, CONT.

Deferred tax assets and liabilities

Group	Deferred tax assets	Deferred tax liabilities	Net
MSEK	31-12-2012	31-12-2012	
Intangible fixed assets	6	-527	-521
Tangible fixed assets	21	-392	-371
Lease assets	-	-62	-62
Biological assets	-	-44	-44
Long-term receivables	-	-14	-14
Inventories	205	-2	203
Accounts receivable	6	-	6
Prepaid expenses and accrued income	26	-2	24
Long-term liabilities	51	-1	50
Provisions for pensions	137	-292	-155
Other provisions	450	-24	426
Tax allocation reserves	-	-193	-193
Contingency reserve attributable to Lansen Försäkrings AB	-	-299	-299
Accrued expenses and deferred income	122	-	122
Other	56	-158	-102
Tax loss carry forwards	162	-	162
Tax assets/liabilities, total	1,242	-2,010	-768
Set-off	-1,029	1,029	-
Tax assets /liabilities, net	213	-981	-768

Group	Deferred tax assets	Deferred tax liabilities	Net
MSEK	31-12-2011	31-12-2011	
Intangible fixed assets	1	-646	-645
Tangible fixed assets	20	-504	-484
Lease assets	5	-105	-100
Biological assets	-	-52	-52
Long-term receivables	-	-38	-38
Inventories	243	-2	241
Accounts receivable	6	-	6
Prepaid expenses and accrued income	30	-3	27
Long-term liabilities	91	-2	89
Provisions for pensions	167	-458	-291
Other provisions	617	-14	603
Tax allocation reserves	-	-94	-94
Contingency reserve attributable to Lansen Försäkrings AB	-	-357	-357
Accrued expenses and deferred income	169	-	169
Other	55	-197	-142
Tax loss carry forwards	142	-	142
Tax assets/liabilities, total	1,546	-2,472	-926
Set-off	-1,460	1,460	-
Tax assets /liabilities, net	86	-1,012	-926

In the company's view, the tax value of future taxable surpluses will exceed reported deferred tax assets. In the U.S., there is approximately MSEK 300 in tax loss carry forwards, of which approximately MSEK 250 is expected to be offset against future taxable earnings. The tax loss carry forwards attributable to the U.S. operations can be utilised through 2031, but expire in part as of 2021.

Parent Company	Deferred tax assets	Deferred tax liabilities	Net
MSEK	31-12-2012	31-12-2012	
Tangible fixed assets	-	-197	-197
Inventories	84	-	84
Accounts receivable	3	-	3
Prepaid expenses and accrued income	1	-	1
Provisions for pensions	80	-	80
Other provisions	155	-	155
Accrued expenses and deferred income	42	-	42
Tax assets/liabilities, total	365	-197	168
Set-off	-197	197	-
Tax assets/liabilities, net	168	-	168

Parent Company	Deferred tax assets	Deferred tax liabilities	Net
MSEK	31-12-2011	31-12-2011	
Tangible fixed assets	-	-240	-240
Inventories	87	-	87
Accounts receivable	1	-	1
Prepaid expenses and accrued income	3	-	3
Provisions for pensions	107	-	107
Other provisions	238	-	238
Accrued expenses and deferred income	37	-	37
Tax assets/liabilities, total	473	-240	233
Set-off	-240	240	-
Tax assets/liabilities, net	233	-	233

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	129	10
Deferred tax assets expected to be recovered after one year	1,113	355

Estimated utilisation dates of recognised deferred tax liabilities

MSEK	Group	Parent Company
Deferred tax liabilities due for payment within one year	84	10
Deferred tax liabilities due for payment after one year	1,926	187

NOTE 15, CONT.

Change in deferred tax in temporary differences and tax loss carry forwards

Group MSEK	Opening	Recognised in profit or loss	Recognised in the com- prehen- sive income	Acquisi- tion/di- vestment of opera- tions	Transla- tion dif- ference	Closing	Group MSEK	Opening	Recognised in profit or loss	Recognised in the com- prehen- sive income	Acquisi- tion/di- vestment of opera- tions	Transla- tion dif- ference	Closing
	balance 1 Jan 2012					balance 31 Dec 2012		balance 1 Jan 2011					balance 31 Dec 2011
Intangible fixed assets	-645	188	-	-57	-7	-521	Intangible fixed as- sets	-734	195	-	-98	-8	-645
Tangible fixed assets	-484	88	-	25	-	-371	Tangible fixed assets	-442	-2	-	-37	-3	-484
Lease assets	-100	58	-	-	-20	-62	Lease assets	-170	78	-	-	-8	-100
Biological assets	-52	8	-	-	-	-44	Biological assets	-51	-1	-	-	-	-52
Long-term receivables	-38	24	-	-	-	-14	Long-term receivables	-30	-8	-	-	-	-38
Inventories	241	-38	-	-	-	203	Inventories	177	64	-	-	-	241
Accounts receivable	6	-	-	-	-	6	Accounts receivable	5	15	-	-13	-1	6
Prepaid expenses and accrued income	27	-3	-	-	-	24	Prepaid expenses and accrued income	13	14	-	-	-	27
Long-term liabilities	89	-39	-	-	-	50	Long-term liabilities	60	-	-	27	2	89
Provisions for pensions	-291	135	-	1	-	-155	Provisions for pensions	-127	-164	-	-	-	-291
Other provisions	603	-177	-	-	-	426	Other provisions	781	-186	-	7	1	603
Tax allocation reserves	-94	-99	-	-	-	-193	Tax allocation re- serves	-2	-92	-	-	-	-94
Contingency reserve attributable to Lansen Försäkrings AB	-357	58	-	-	-	-299	Contingency reserve attributable to Lansen Försäkrings AB	-357	-	-	-	-	-357
Accrued expenses and deferred income	169	-47	-	-	-	122	Accrued expenses and deferred income	217	-60	-	12	-	169
Other	-142	26	14	-	-	-102	Other	-176	-41	69	6	-	-142
Tax loss carry forwards	142	22	-	4	-6	162	Tax loss carry for- wards	33	46	-	58	5	142
Total	-926	204	14	-27	-33	-768	Total	-803	-142	69	-38	-12	-926

The Group's total deferred tax expense/income in the 2012 income statement amounted to MSEK 204. The Group's total deferred tax income/expense in the statement of comprehensive income amounted to MSEK 14. The closing balance on 31 December 2012, MSEK -768, consisted of deferred tax assets of MSEK 213 and tax liabilities of MSEK -981, see table on page 88.

The net change in the year's tax loss carry forwards, excluding acquisition/divestment of operations, totals MSEK 22, which is the amount of deferred tax on capitalised tax value in tax loss carry forwards, MSEK 39, and deferred tax expense due to utilisation of previously capitalised tax value in tax loss carry forwards, MSEK -17.

Other numbers in the "Recognised in profit or loss" column in the table above total MSEK 182, which is the amount of deferred tax related to temporary differences and deferred tax attributable to previous years.

The Group's total deferred tax expense in the 2011 income statement amounted to MSEK -142. The Group's total deferred tax income in the statement of comprehensive income amounted to MSEK 69. The closing balance on 31 December 2011, MSEK -926, consisted of deferred tax assets of MSEK 86 and tax liabilities of MSEK 1,012, see table on page 88.

Tax items recognised directly against other comprehensive income

Group MSEK	2012	2011
Cash flow hedges	14	69
Total	14	69

NOTE 16 Intangible Fixed Assets

MSEK	Group		Parent Company	
	31-12-2012	31-12-2011	31-12-2012	31-12-2011
Goodwill	4,581	4,223	532	571
Capitalised development costs	1,751	1,950	856	1,056
Other intangible assets	517	526	273	311
Total	6,849	6,699	1,661	1,938

Goodwill

MSEK	Group		Parent Company	
	2012	2011	2012	2011
Acquisition value				
Opening balance, 1 January	4,920	4,146	784	784
Acquired through business acquisitions	421	738	-	-
Divestments	-9	-	-	-
Translation differences	-54	36	-	-
Closing balance, 31 December	5,278	4,920	784	784

Amortisation and impairments

Opening balance, 1 January	-697	-676	-213	-174
Amortisation for the year	-	-	-39	-39
Impairments for the year	-	-21	-	-
Closing balance, 31 December	-697	-697	-252	-213

Carrying amount, 31 December **4,581** **4,223** **532** **571**

Acquired through business acquisitions 2012 relates to HITT N.V., MEDAV GmbH Täby Displayteknik AB, Sörman Intressenter AB and Bayes Risk Management AS. Acquired through business acquisitions 2011 relates to Sensis. In 2011, goodwill impairment of MSEK 21 was recognised for companies in the venture portfolio.

Capitalised development costs

MSEK	Group		Parent Company	
	2012	2011	2012	2011
Acquisition value				
Opening balance, 1 January	5,551	5,457	2,000	2,000
Acquired through business acquisitions	144	110	-	-
Internally developed assets	292	15	-	-
Disposals and reclassifications	-66	-	-	-
Translation differences	-26	-31	-	-
Closing balance, 31 December	5,895	5,551	2,000	2,000

Amortisation and impairments

Opening balance, 1 January	-3,601	-3,029	-944	-744
Amortisation for the year	-590	-588	-200	-200
Acquired through business acquisitions	-27	-	-	-
Disposals and reclassifications	59	-	-	-
Translation differences	15	16	-	-
Closing balance, 31 December	-4,144	-3,601	-1,144	-944

Carrying amount, 31 December **1,751** **1,950** **856** **1,056**

Acquired through business acquisitions relates to HITT N.V., MEDAV GmbH, Täby Displayteknik AB och Sörman Intressenter AB for 2012 and to Sensis for 2011.

Other intangible assets

MSEK	Group		Parent Company	
	2012	2011	2012	2011
Acquisition value				
Opening balance, 1 January	1,749	1,551	1,426	1,376
Acquired through business acquisitions	96	160	-	24
Investments	51	26	48	22
Disposals and reclassifications	-2	3	-1	4
Translation differences	-15	9	-	-
Closing balance, 31 December	1,879	1,749	1,473	1,426

Amortisation and impairments

Opening balance, 1 January	-1,223	-1,036	-1,115	-969
Amortisation for the year	-143	-186	-86	-146
Acquired through business acquisitions	-3	-	-	-
Disposals and reclassifications	2	-	1	-
Translation differences	5	-1	-	-
Closing balance, 31 December	-1,362	-1,223	-1,200	-1,115

Carrying amount, 31 December **517** **526** **273** **311**

Acquired through business acquisitions 2012 relates primarily to HITT N.V., MEDAV GmbH and Bayes Risk Management AS and comprises order backlog, patents and customer relations. Acquired through business acquisitions 2011 largely relates to Sensis and comprises customer relations and trademarks.

Amortisation is included in the following lines in income statement

MSEK	Group		Parent Company	
	2012	2011	2012	2011
Cost of goods sold	141	185	125	185
Marketing expenses	2	1	-	-
Research and development costs	590	588	200	200

Impairments are included in the following lines in income statement

MSEK	Group		Parent Company	
	2012	2011	2012	2011
Other operating expenses	-	21	-	-

Development costs

The significant items in total capitalisation are development costs for radar and sensors, electronic warfare systems, air traffic management (ATM), and Gripen.

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 Ericsson Microwave Systems, Sensis and MEDAV and relate to expenses incurred for customer relations, trademarks, patents and values in the order backlog. Of the carrying amount, MSEK 517, MSEK 401 is attributable to acquired values and MSEK 116 to licenses for operating systems etc.

Impairment tests for goodwill

In connection with business combinations, goodwill is allocated to the cash-generating units that are expected to obtain future economic benefits in the form, for example, of synergies from the acquisition. Saab's business areas have been identified as separate cash-generating units. The following cash-generating units have significant recognised goodwill values in relation to the Group's total recognised goodwill value. Goodwill in every cash-generating unit has been tested for impairment.

NOTE 16, CONT.

Goodwill in the Parent Company relates to goodwill arising from the purchase of the net assets of Saab Microwave Systems.

MSEK	31-12-2012	31-12-2011
Dynamics	570	572
Electronic Defence Systems	2,335	2,253
Security and Defence Solutions	1,172	999
Support and Services	240	240
Combitech	264	159
Total goodwill	4,581	4,223

Impairment testing for cash-generating units is based on the calculation of value in use. This value is based on discounted cash flow forecasts according to the units' business plans.

VARIABLES USED TO CALCULATE VALUE IN USE

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. 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 (o) per cent.

Operating margin

The operating margin is comprised of the units' operating income after depreciation and amortisation. The units' operating margin is calculated against the backdrop of historical results and Saab's expectations with regard to the future development of markets where the units are active. The business areas Dynamics, Electronic Defence Systems and Security and Defence Solutions have a substantial order backlog of projects that stretches over a number of years. The risks and opportunities affecting the operating margin are managed through continuous cost forecasts for all significant projects.

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.

All units have sales of defence materiel, unique systems, products and support solutions in the international market as their primary activity, and their business risk in this respect is considered equivalent. However, units with a significant share of the business plan's invoicing in the order backlog have been discounted at an interest rate that is slightly lower units with a short order backlog.

The following discount rates have been used (pre-tax):

Per cent	Pretax discount rate (WACC)	
	2012	2011
Dynamics	11	11
Electronic Defence Systems	11	11
Security and Defence Solutions	11	11
Support and Services	13	13
Combitech	13	13

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 17 Tangible Fixed Assets

MSEK	Group		Parent Company	
	31-12-2012	31-12-2011	31-12-2012	31-12-2011
Operating properties/ buildings and land ¹⁾	1,981	2,050	1,357	1,410
Plant and machinery	730	799	481	460
Equipment, tools and installations	312	292	173	149
Construction in progress	139	131	115	118
Total	3,162	3,272	2,126	2,137

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	
	2012	2011	2012	2011
Acquisition value				
Opening balance, 1 January	4,899	4,822	1,872	1,881
Acquired through business acquisitions	-	112	-	-
Investments	15	38	9	14
Reclassifications	30	-34	-	4
Divestments	-1	-27	-	-27
Translation differences	-26	-12	-	-
Closing balance, 31 December	4,917	4,899	1,881	1,872

Depreciation and
impairments

Opening balance, 1 January	-2,849	-2,789	-1,359	-1,314
Depreciation for the year	-95	-80	-65	-58
Impairments for the year	-	-	-	-
Acquired through business acquisitions	-	-32	-	-
Reclassifications	-	42	-	-
Divestments	3	13	3	13
Translation differences	5	-3	-	-
Closing balance, 31 December	-2,936	-2,849	-1,421	-1,359

Revaluations

Opening balance, 1 January	-	-	897	897
Closing balance, 31 December	-	-	897	897

Carrying amount, 31 December	1,981	2,050	1,357	1,410
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1) In the Group, the reported amount refers to operating properties. In the Parent Company, the reported amount refers to buildings and land.

Acquired through business acquisitions in 2011 largely relates to Sensis.

Operating properties include a property leased by Saab Sensis in the U.S. through a financial lease. The financial lease extends through 2025. The carrying amount is MSEK 97. The property is depreciated on a straight-line basis over its period of use through 2025.

Total future minimum lease fees amount to MSEK 122, of which MSEK 9 is due within one year, MSEK 37 after one year but within five years, and MSEK 96 after five years. The present value of future minimum lease fees is MSEK 99.

NOTE 17, CONT.

Plant and machinery

MSEK	Group		Parent Company	
	2012	2011	2012	2011
Acquisition value				
Opening balance, 1 January	2,962	2,504	1,893	1,909
Acquired through business acquisitions	26	400	-	3
Acquisitions from companies within the Group	-	-	104	-
Investments	100	118	39	35
Reclassifications	281	-7	296	2
Divestments	-63	-61	-24	-56
Translation differences	-42	8	-	-
Closing balance, 31 December	3,264	2,962	2,308	1,893
Depreciation and impairments				
Opening balance, 1 January	-2,163	-1,868	-1,433	-1,378
Depreciation for the year	-193	-172	-105	-108
Impairments for the year	-17	-	-	-
Acquired through business acquisitions	-20	-197	-	-
Acquisitions from companies within the Group	-	-	-86	-
Reclassifications	-229	15	-224	-
Divestments	57	58	21	53
Translation differences	31	1	-	-
Closing balance, 31 December	-2,534	-2,163	-1,827	-1,433
Carrying amount, 31 December	730	799	481	460

In 2012, impairments of MSEK 17 were recognised with regard to a demonstrator system within Electronic Defence Systems. Acquired through business acquisitions relates to HITT N.V. and MEDAV GmbH for 2012 and largely to Sensis for 2011.

Equipment, tools and installations

MSEK	Group		Parent Company	
	2012	2011	2012	2011
Acquisition value				
Opening balance, 1 January	2,081	2,134	1,271	1,290
Acquired through business acquisitions	1	12	-	-
Acquisitions from companies within the Group	-	-	48	-
Investments	133	83	79	40
Reclassifications	-242	4	-237	4
Sales	-163	-132	-68	-63
Translation differences	-13	-20	-	-
Closing balance, 31 December	1,797	2,081	1,093	1,271
Depreciation and impairments				
Opening balance, 1 January	-1,789	-1,819	-1,122	-1,132
Depreciation for the year	-96	-99	-53	-50
Impairments for the year	-	-	-	-
Acquired through business acquisitions	-	-5	-	-
Acquisitions from companies within the Group	-	-	-39	-
Reclassifications	233	-	226	-1
Sales	157	116	68	61
Translation differences	10	18	-	-
Closing balance, 31 December	-1,485	-1,789	-920	-1,122
Carrying amount, 31 December	312	292	173	149

Acquired through business acquisitions relates to Täby Displayteknik AB for 2012 and largely to Sensis for 2011.

Construction in progress

MSEK	Group		Parent Company	
	2012	2011	2012	2011
Acquisition value				
Opening balance, 1 January	131	68	118	52
Investments	80	86	58	79
Reclassifications	-72	-23	-61	-13
Carrying amount, 31 December	139	131	115	118

Collateral

On 31 December 2012 property with a carrying amount of MSEK 0 (0) was pledged as collateral for bank loans.

NOTE 18 Lease Assets and Lease Agreements

As the former manufacturer of the regional aircraft Saab 340 and Saab 2000, Saab has a great interest in ensuring that these aircraft maintain high capacity utilisation. Over 500 aircraft have been delivered and 61 are included in Saab's leasing fleet, of which 19 aircraft are owned by Saab. Leasing operations are carried out in the global market. Operating lease terms conform to customary terms in the international aircraft leasing market, which may entail the right to early termination, purchases and extensions, as well as security, geographical and tax-related limitations on the allocation of the aircraft in question. No aircraft are held via finance leases, nor is Saab the lessor in any finance leases. The operations are carried out in USD.

Owned aircraft are depreciated on a straight-line basis over 20–25 years. The leasing fleet is expected to be divested around 2015.

Leasing aircraft obtained for leasing purposes

MSEK	2012	2011
Acquisition value		
Opening balance, 1 January	2,336	3,792
Sales	-1,342	-1,514
Translation differences	-52	58
Closing balance, 31 December	942	2,336
Depreciation		
Opening balance, 1 January	-1,373	-2,238
Sales	841	991
Depreciation for the year	-53	-114
Translation differences	42	-12
Closing balance, 31 December	-543	-1,373
Impairments		
Opening balance, 1 January	-195	-404
Sales and revaluations	97	208
Translation differences	1	1
Closing balance, 31 December	-97	-195
Total	302	768
Other lease assets		
Opening balance, 1 January	3	4
Acquisitions	1	1
Depreciation for the year	-2	-1
Translation differences	-	-1
Closing balance, 31 December	2	3
Carrying amount, 31 December	304	771

Leasing fees for aircraft obtained/leased via operating leases

MSEK	Payments to lessors	Payments from airlines ¹⁾	Payments from airlines ²⁾
Outcome			
2011	238	66	126
2012	248	72	20
Contracted			
2013	244	83	8
2014	98	37	8
2015	-	-	8
2016	-	-	6
2017	-	-	5
2018 and forward	-	-	-
Total contracted	342	120	35

1) Receipts from airlines for aircraft held via operating leases and leased out via operating leases.

2) Receipts from airlines for owned aircraft leased out via operating leases.

The leasing fleet is periodically valued in terms of the present value of the future payments it is expected to generate. The inflow is represented by projected receipts from customers and the Export Credits Guarantee Board (EKN) in Sweden. Disbursements consist of fees to the lessee and for technical, legal and administrative activities directly related to management of the fleet.

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

Leasing fees for other assets obtained via operating leases¹⁾

Other leasing fees refer to premises, computers and cars.

Group	Premises and buildings	Machinery and equipment
MSEK		
Outcome		
2011	281	104
2012	232	146
Contracted		
2013	253	135
2014	226	93
2015	215	52
2016	196	16
2017	184	1
2018 and forward	716	-
Total contracted	1,790	297

NOTE 18, CONT.

Parent Company MSEK	Premises and buildings	Machinery and equip- ment
Outcome		
2011	195	78
2012	170	114
Contracted		
2013	177	117
2014	172	84
2015	167	49
2016	160	15
2017	152	-
2018 and forward	710	-
Total contracted	1,538	265

1) The Group has a finance lease on a building; see Note 17.

NOTE 19 Biological Assets

Group MSEK	2012	2011
Living forest		
Carrying amount, 1 January	305	299
Change in fair value	10	15
Less fair value logging	-9	-9
Carrying amount, 31 December	306	305
Of which fixed assets	306	305

On 31 December 2012, biological assets consisted of approximately 403,000 m³ of spruce, 647,000 m³ of pine and 72,000 m³ of hardwood. Forest growth is estimated at 43,000 m³ timber per year. During the year, approximately 26,500 m³ of timber was felled, which had a fair value in the Group, after deducting selling expenses, of MSEK 9 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 on the firing range 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 (4,459 hectares) less the value of the timber.

NOTE 20 Investment Properties

Information on fair value of investment properties in the Group

In the Group, investment properties are reported according to the fair value method.

Group MSEK	2012	2011
Carrying amount, 1 January	224	236
Divestment	-190	-
Revaluation	-1	-12
Carrying amount, 31 December	33	224

Investment properties are recognised in the statement of financial position at fair value, while changes in the value of these properties are recognised in the income statement; see also Note 1.

Investment properties comprise a number of rental properties leased to outside tenants. Leases on offices and production space are normally signed

for an initial period of 2–6 years. Prior to expiration, renegotiations are held with the tenant on the rent level and other terms of the agreement, provided the lease has not been terminated.

Fair values have been determined by 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.

Group MSEK	2012	2011
Effect on net income/net rental income		
Rental income	4	26
Direct costs for investment properties that generated rental income during the year	-2	-10
Effect on net income /net rental income	2	16

Information on fair value of investment properties in the Parent Company

In the Parent Company, investment properties are recognised as buildings according to the acquisition cost method. Investment properties in the Parent Company are leased out to other companies in the Group and are therefore classified as operating properties in the Group.

Parent Company MSEK	2012	2011
Fair value		
Opening fair value, 1 January	165	150
Revaluation	-1	15
Closing fair value, 31 December	164	165

Parent Company MSEK	2012	2011
Effect on net income/net rental income		
Rental income	24	27
Direct costs for investment properties that generated rental income during the year	-8	-9
Effect on net income /net rental income	16	18

Information on carrying amount of investment properties in the Parent Company

Parent Company MSEK	2012	2011
Accumulated acquisition value		
Opening balance, 1 January	127	127
Acquisitions	1	-
Closing balance, 31 December	128	127

Accumulated depreciation according to plan

Opening balance, 1 January	-91	-87
Depreciation according to plan for the year	-3	-4
Closing balance, 31 December	-94	-91

Accumulated revaluations

Opening balance, 1 January	66	66
Closing balance, 31 December	66	66

Carrying amount, 31 December	100	102
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NOTE 21 Shares in Associated Companies Consolidated According to the Equity Method

Group	2012	2011
MSEK		
Carrying amount, 1 January	288	251
Acquisition of associated companies	-	104
Sale of associated companies	-7	-4
Share in associated companies' income ¹⁾	27	-12
Reclassifications	3	-
Translation differences and internal gains	-9	-1
Dividends	-2	-50
Carrying amount, 31 December	300	288

1) Share in associated companies' net income and non-controlling interests.

Results from Wah Nobel (Pvt) Ltd. are recognised as financial income and expenses through profit or loss. Other associated companies are held for operating purposes; i.e. they are related to operations of the business areas or in the venture portfolio and are therefore recognised in operating income.

During 2012 Saab's independent business area Combitech acquired all shares in Sörman Intressenter AB. Accordingly, Sörman Intressenter is no longer an associated company of Saab.

Saab did not make any other significant acquisitions or sales of shares in associated companies during 2012.

Shares in associated companies as of 31 December 2012 include goodwill of MSEK 58 (61).

The Group's share of sales, income, assets, liabilities and the carrying amount of shares in associated companies is as follows.

2012 MSEK	Country	Sales	Share in associated companies' income
Associated companies			
Hawker Pacific Airservices Ltd	Hong Kong	694	4
Wah Nobel (Pvt) Ltd	Pakistan	19	2
Taurus Systems GmbH	Germany	26	8
S.N. Technologies SA	Switzerland	18	-1
Industrikompetens i Östergötland AB	Sweden	35	-1
Omnigo (Pty) Ltd	South Africa	24	-1
Kontorsbolaget i Karlskoga AB	Sweden	21	1
FFV Services Private Limited	India	11	-
AVIA SATCOM Co., Ltd	Thailand	72	19
Other associated companies in the venture portfolio		15	-4
Total		935	27

2011 MSEK	Country	Sales	Share in associated companies' income
Associated companies			
Hawker Pacific Airservices Ltd	Hong Kong	540	-17
Wah Nobel (Pvt) Ltd	Pakistan	16	4
Taurus Systems GmbH	Germany	50	2
S.N. Technologies SA	Switzerland	15	-
Industrikompetens i Östergötland AB	Sweden	46	-
Omnigo (Pty) Ltd	South Africa	26	1
Kontorsbolaget i Karlskoga AB	Sweden	21	1
Sörman Intressenter AB	Sweden	40	3
FFV Services Private Limited	India	-	-
AVIA SATCOM Co., Ltd	Thailand	21	-
Other associated companies in the venture portfolio		11	-6
Total		786	-12

31-12-2012 MSEK	Assets	Liabilities	Booked value, shares in associated companies	Ownership interest, %
Associated companies				
Hawker Pacific Airservices Ltd	299	191	108	32.3
Wah Nobel (Pvt) Ltd	33	8	25	27.2
Taurus Systems GmbH	37	28	9	33.0
S.N. Technologies SA	13	4	9	50.0
Industrikompetens i Östergötland AB	18	8	10	33.0
Omnigo (Pty) Ltd	13	7	6	40.0
Kontorsbolaget i Karlskoga AB	125	119	6	50.0
FFV Services Private Limited	14	1	13	49.0
AVIA SATCOM Co., Ltd	115	21	94	36.6
Other associated companies in the venture portfolio	25	5	20	-
Total	692	392	300	-

31-12-2011 MSEK	Assets	Liabilities	Booked value, shares in associated companies	Ownership interest, %
Associated companies				
Hawker Pacific Airservices Ltd	291	181	110	32.3
Wah Nobel (Pvt) Ltd	31	7	24	27.2
Taurus Systems GmbH	58	55	3	33.0
S.N. Technologies SA	21	10	11	50.0
Industrikompetens i Östergötland AB	18	7	11	33.0
Omnigo (Pty) Ltd	16	8	8	40.0
Kontorsbolaget i Karlskoga AB	126	121	5	50.0
Sörman Intressenter AB	18	14	4	25.3
FFV Services Private Limited	25	12	13	49.0
AVIA SATCOM Co., Ltd	106	28	78	36.6
Other associated companies in the venture portfolio	26	5	21	-
Total	736	448	288	-

NOTE 22 Shares in Joint Ventures Consolidated According to the Proportional Method

The Group has a 50 per cent holding in the joint venture Gripen International KB, whose principal activity is to offer, market and provide services for aircraft, military materiel and related equipment. The Group's remaining holdings in joint ventures are of an insignificant amount.

The Group's financial reports include the following items that constitute the Group's ownership interest in the joint venture's sales, income, assets and liabilities.

Gripen International KB

MSEK	2012	2011
Sales	28	42
Net income	25	70

MSEK	31-12-2012	31-12-2011
Fixed assets	2	-
Current assets	689	821
Total assets	691	821
Current liabilities	232	387
Total liabilities	232	387
Net assets	459	434

NOTE 23 Parent Company's Shares in Associated Companies and Joint Ventures**Parent Company**

MSEK	2012	2011
Accumulated acquisition value		
Opening balance, 1 January	552	491
Acquisitions	-	78
Divestments	-3	-68
Reclassifications	-9	-19
Share of net income for the year in joint ventures	25	70
Closing balance, 31 December	565	552
Carrying amount, 31 December	565	552

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

2012 MSEK	% of votes and capital	Carrying amount
Associated companies		
Hawker Pacific Airservices Ltd, Hong Kong	32.3	22
Industrikompetens i Östergötland AB, 556060-5478, Linköping	33.0	2
AVIA SATCOM Co Ltd, Thailand	36.6	78
Joint ventures		
Gripen International KB, 969679-8231, Linköping	50.0	459
Industrigruppen JAS AB, 556147-5921, Stockholm	80.0	4
Total		565

2011 MSEK	% of votes and capital	Carrying amount
Associated companies		
Hawker Pacific Airservices Ltd, Hong Kong	32.3	22
Industrikompetens i Östergötland AB, 556060-5478, Linköping	33.0	2
Sörman Intressenter AB, 556741-2233, Stockholm	25.3	3
AVIA SATCOM Co Ltd, Thailand	36.6	78
Joint ventures		
Gripen International KB, 969679-8231, Linköping	50.0	434
Industrigruppen JAS AB, 556147-5921, Stockholm	80.0	4
Avia Tech Systems Co. Ltd., Thailand	40.0	9
Total		552

NOTE 24 Receivables from Group Companies, Associated Companies and Joint Ventures

Parent Company MSEK	Receivables from Group companies		Receivables from associated companies and joint ventures	
	2012	2011	2012	2011
Accumulated acquisition value				
Opening balance, 1 January	911	557	17	32
Acquisitions	-	642	-	1
Divestments	-1	-262	-17	-16
Exchange rate differences	-49	-26	-	-
Closing balance, 31 December	861	911	-	17

NOTE 25 Financial Investments

Group MSEK	31-12-2012	31-12-2011
Financial investments held as fixed assets		
Financial assets measured at fair value through profit or loss:		
Shares and participations	49	54
Investments held to maturity:		
Interest-bearing securities	144	143
Total	193	197

Short-term investments classified as current assets

Group MSEK	31-12-2012	31-12-2011
Financial assets measured at fair value through profit or loss:		
Interest-bearing securities	3,963	4,555
Total	3,963	4,555

Investments in interest-bearing securities consist of mortgage and government bonds, corporate and bank commercial paper as well as Floating Rate Notes. The fair value of interest-bearing securities held to maturity amounts to MSEK 143 (145).

NOTE 26 Other Long-Term Securities Holdings

Parent Company		
MSEK	2012	2011
Accumulated acquisition value		
Opening balance, 1 January	38	1,468
Acquisitions	-	1
Divestments	-	-1,431
Closing balance, 31 December	38	38
Accumulated impairments		
Opening balance, 1 January	-14	-11
Impairments for the year	-3	-3
Divestments	-	-
Closing balance, 31 December	-17	-14
Carrying amount, 31 December	21	24

Divestments in 2011 relate to the holding in Aker Holding AS.

NOTE 27 Long-Term Receivables and Other Receivables

Group		
MSEK	31-12-2012	31-12-2011
Long-term receivables held as fixed assets		
Receivables from associated companies, interest-bearing	62	70
Receivables from associated companies, non interest-bearing	2	2
Other interest-bearing receivables	47	29
Other non interest-bearing receivables	768	945
Total	879	1,046

Other non interest-bearing receivables include net receivables attributable to pensions according to IAS 19 of MSEK 741 (921). When applying the new standard, IAS 19R, the amount will be reclassified and from 2013 not reported as receivable. See Note 37. As for the rest Saab does not consider there to be a significant difference between book and fair value.

Group		
MSEK	31-12-2012	31-12-2011
Other receivables held as current assets		
Receivables from associated companies, non interest-bearing	79	22
Receivables from joint ventures, non interest-bearing	14	37
Advance payments to suppliers	84	58
Other interest-bearing receivables	326	368
Other non interest-bearing receivables	321	451
Subtotal	824	936
Receivables from customers		
Assignment revenue	2,255	3,438
Less utilised advance payments	-531	-795
Subtotal	1,724	2,643
Total	2,548	3,579

Assignment revenue refer to assignment costs incurred and reported gross income less any losses attributable to the work performed. Unutilised advance payments amount to MSEK 553 (1,022).

Costs attributable to assignment revenue amounted to MSEK 1,873 (2,481). Reported gross income amounted to MSEK 382 (957).

Parent Company		
MSEK	31-12-2012	31-12-2011
Other long-term receivables		
Interest-bearing receivables	42	25
Non interest-bearing receivables	7	9
Total	49	34
Parent Company		
MSEK	31-12-2012	31-12-2011
Other receivables held as current assets		
Non interest-bearing receivables	195	286
Subtotal	195	286
Receivables from customers		
Assignment revenue	1,631	2,194
Less utilised advance payments	-532	-435
Subtotal	1,099	1,759
Total	1,294	2,045

Assignment revenue refer to assignment costs incurred and reported gross income less any losses attributable to the work performed. Unutilised advance payments amount to MSEK 291 (471).

Costs attributable to assignment revenue amounted to MSEK 1,370 (1,583). Reported gross income amounted to MSEK 261 (611).

Parent Company		
MSEK	2012	2011
Long-term receivables		
Accumulated acquisition value		
Opening balance, 1 January	34	10
Incremental receivables	17	25
Deductible receivables	-2	-1
Closing balance, 31 December	49	34

NOTE 28 Inventories

Group		
MSEK	31-12-2012	31-12-2011
Raw materials and consumables	2,314	2,109
Work in progress	1,489	1,470
Finished goods and goods for resale	617	755
Total	4,420	4,334

Saab and the Swedish Ministry of Enterprise, Energy and Communications have reached 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 2012, the National Debt Office has paid out a net of MSEK 263 (263), which reduces inventory in the financial statements.

The Group's cost of goods sold includes inventory impairments of MSEK 31 (16). The reversal of previous impairments amounts to MSEK 19 (89). The value of inventories measured at fair value less selling expenses amounts to MSEK 93 (100). Of inventories, MSEK 439 is expected to be realised more than twelve months after the closing day.

Parent Company		
MSEK	31-12-2012	31-12-2011
Raw materials and consumables	1,633	1,518
Work in progress	1,190	1,059
Finished goods and goods for resale	520	519
Advance payments to suppliers	42	56
Total	3,385	3,152

Cost of goods sold for the Parent Company includes inventory impairments of MSEK 27 (11) after the reversal of previous impairments of MSEK 11 (86). The value of inventories measured at fair value less selling expenses amounts to MSEK 93 (100). Of the Parent Company's inventories, MSEK 289 is expected to be realised more than twelve months after the closing day.

NOTE 29 Accounts Receivable

Accounts receivable in the Group amount to MSEK 3,454 (3,153). In 2012, Saab sold receivables as part of the sales programme arranged in 2009 to strengthen its financial position and increase financial flexibility. Customers in most cases are nations with high credit worthiness.

The receivables were sold in their entirety at a favourable funding level. This reduced accounts receivable at year-end by MSEK 852 (872) and also had a negative effect on cash flow of MSEK -20 (-537). During the year, accounts receivable were written down by MSEK 5 (5). Reversals of previous write-downs amounted to MSEK 1 (3).

Accounts receivable in the Parent Company amount to MSEK 1,598 (1,424). During the year, receivables were written down by MSEK 5 (4). Reversals of previous write-downs amounted to MSEK 0 (2). See also Note 41.

NOTE 30 Prepaid Expenses and Accrued Income

MSEK	Group		Parent Company	
	31-12-2012	31-12-2011	31-12-2012	31-12-2011
Prepaid expenses	426	367	377	275
Accrued service income	145	143	59	73
Other accrued income	315	319	297	292
Total	886	829	733	640

Prepaid expenses relate to pension premiums, rents, licenses and insurance.

NOTE 31 Liquid Assets

Group		
MSEK	31-12-2012	31-12-2011
Cash and bank balances	622	681
Bank deposits	862	1,083
Funds in escrow accounts	131	139
Deposits held on behalf of customers	1	15
Total according to statement of financial position	1,616	1,918
Total according to statement of cash flows	1,616	1,918

Bank deposits relate to short-term investments, the large part of which has a maturity of less than one month. Funds in escrow accounts relate to cash deposited with independent third parties until contractual terms are met. The Group's unutilised account overdraft facility amounted to MSEK 107 (118) at year-end. With regard to the Group's other loan facilities, refer to Notes 36 and 41.

NOTE 32 Assets held for Sale

The Group holds no assets or liabilities for sale.

NOTE 33 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 2012	Number of shares	Per cent of shares	Per cent of votes
Series A	1,907,123	1.8	15.5
Series B	104,023,706	98.2	84.5
Total	105,930,829	100.0	100.0

Outstanding shares at 31 December 2011	Number of shares	Per cent of shares	Per cent of votes
Series A	1,907,123	1.8	15.6
Series B	103,424,835	98.2	84.4
Total	105,331,958	100.0	100.0

Change in number of outstanding shares 2012	Series A	Series B	Total
Number of outstanding shares at 1 January	1,907,123	103,424,835	105,331,958
Early share matching	-	23,445	23,445
Share matching plan	-	575,426	575,426
Number of outstanding shares at 31 December	1,907,123	104,023,706	105,930,829

In 2012 no Series B shares were repurchased on the market to secure Saab's Share Matching Plan and Performance Share Plan. During the year, 598,871 shares were matched in Saab's Share Matching Plan. A total of 3,219,515 shares are held in treasury.

The dividend to shareholders amounted to MSEK 474 (367), or SEK 4.50 (3.50) per share.

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. The long-term 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 that the Group's financial reports are presented in. The Parent Company and the Group present their financial reports in SEK. The translation reserve at year-end amounts to MSEK -226 (-51). Of the translation reserve MSEK 0 (-4) has been reclassified to gains/losses.

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 40 has been transferred to retained earnings upon the sale of investment properties.

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.

Legal reserve

Provisions to the legal reserve have previously amounted to at least 10 per cent of net income for the year, until the legal reserve corresponded to 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**

Consists 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 34 Earnings per Share

	2012	2011
Net income for the year attributable to Parent Company's shareholders (MSEK)	1,564	2,225
Weighted average number of common shares outstanding:		
before dilution (thousands)	105,633	104,982
after dilution (thousands)	109,150	109,150
Earnings per share, before dilution (SEK)	14.81	21.19
Earnings per share, after dilution (SEK)	14.33	20.38

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 refers to the total number of shares in issue.

NOTE 35 Interest-bearing Liabilities

Group	31-12-2012	31-12-2011
MSEK		
Long-term liabilities		
Liabilities to credit institutions	4	1,103
Other interest-bearing liabilities	101	115
Total	105	1,218
Current liabilities		
Liabilities to credit institutions	1,100	46
Liabilities to joint ventures	378	449
Other interest-bearing liabilities	159	25
Total	1,637	520
Total interest-bearing liabilities	1,742	1,738

Terms and repayment schedules

Collateral for bank loans amounts to MSEK 3 (0). Of the long-term liabilities, MSEK 24 (1,128) falls due between one and five years of the closing day and MSEK 81 (90) later than five years of the closing day.

Liabilities to credit institutions mainly consist of Medium Term Notes (MTN). For more information on financial risk management, see Note 41.

The fair value of MTNs exceeds book value by MSEK 16 (13). Saab otherwise does not consider there to be a significant difference between book and fair value.

NOTE 36 Liabilities to Credit Institutions

Parent Company	31-12-2012	31-12-2011
MSEK		
Current liabilities		
Overdraft facilities: Available credit/limit	107	118
Short-term portion of bank loans: Unutilised portion	-107	-118
Utilised credit amount	-	-
Short-term borrowing from credit institutions	1,100	-
Total	1,100	-
Long-term liabilities		
Overdraft facilities: Available credit/limit	4,000	4,000
Long-term portion of bank loans: Unutilised portion	-4,000	-4,000
Utilised credit amount	-	-
Long-term borrowing from credit institutions	-	1,100
Total	-	1,100
Total liabilities to credit institutions	1,100	1,100

In December 2009, Saab established a MTN programme of SEK 3 billion in order to enable the issuance of long-term loans on the capital market. Under the terms of this programme, Saab has issued bonds and Floating Rate Notes (FRN) for MSEK 1,100.

NOTE 37 Employee Benefits

Saab has two types of pension plans: defined-benefit and defined-contribution. In defined-benefit plans, post-employment compensation is based on a percentage of the recipient's salary. Saab has around ten types of defined-benefit plans. The predominant plan is the ITP plan, and the second largest plan refers to state-funded retirement pension. Saab's defined-benefit plans are secured in three ways: as a liability in the balance sheet, in pension funds or funded through insurance with mainly Alecta. The Saab Pension Fund, that secured part of the ITP plan, had assets of MSEK 4,346 (4,050) as of 31 December 2012, compared to an obligation of MSEK 6,492 (5,866) according to IAS 19, or a solvency margin of 67 per cent (69).

The portion secured through insurance with Alecta refers to a defined-benefit plan that comprises several employers and is reported according to a pronouncement by the Swedish Financial Reporting Board, UFR 3. For fiscal year 2012, the Group did not have access to the information that would make it possible to report this plan as a defined-benefit plan. The ITP pension plan, which is secured through insurance with Alecta, is therefore reported as a defined-contribution plan. Alecta's surplus can be distributed to policyholders and/or insureds. At year-end 2012, Alecta's surplus in the form of the collective funding ratio amounted to 129 per cent (113). The collective funding ratio is the market value of Alecta's assets as a percentage of the insurance obligations calculated according to Alecta's actuarial assumptions, which does not conform to IAS 19.

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

NOTE 37, CONT.

Group

MSEK	31-12-2012	31-12-2011
Wholly or partially funded obligations		
Present value of defined-benefit obligations	6,972	6,319
Fair value of assets under management	-4,744	-4,446
Net wholly or partially funded obligations	2,228	1,873
Unfunded obligations		
Present value of unfunded defined-benefit obligations	193	222
Present value of net obligation	2,421	2,095
Unreported actuarial losses		
Unreported actuarial losses	-2,899	-2,678
Net obligation employee benefits	-478	-583

The net amount is reported in the following items in the statement of financial position

Provisions for pensions	11	12
Long-term receivables	489	595

The net amount is divided among plans in the following countries

Sweden	-441	-523
USA	-48	-72
Germany	6	5
Switzerland	5	7
Net amount in the statement of financial position	-478	-583

Unreported actuarial losses amount to MSEK 2,899 (2,678). Actuarial losses are calculated as the difference between pension obligations and the liability according to the statement of financial position.

Unreported actuarial losses

Group	31 December				
	MSEK	2012	2011	2010	2009
Present value of defined-benefit obligations	-7,165	-6,541	-5,233	-5,577	-5,004
Fair value of assets under management	4,744	4,446	4,298	3,907	3,356
Net obligation in the statement of financial position	-478	-583	-469	-475	-424
Losses	-2,899	-2,678	-1,404	-2,145	-2,072

The actuarial loss amounted to MSEK 404 in 2012, primarily due to two factors. The return on assets under management was higher than expected at 7.3 per cent, compared to an anticipated 6 per cent, which produced an actuarial gain of MSEK 65. The actuarial loss on pension obligations amounted to MSEK 472, which was due to a 50 bp lower discount rate. The actuarial loss was amortised by MSEK 183 during the year. The net loss increased by MSEK 221.

Changes in net obligation for defined-benefit plans reported in the statement of financial position

Group	2012	2011
Net obligation for defined-benefit plans, 1 January	-583	-469
Compensation paid	-224	-208
Deposits to pension fund and other funding	-12	-132
Cost reported in the income statement	318	216
Liability transfer	4	-
Settlement/Translation difference	4	-9
Withdrawals from pension funds	15	19
Net obligation for defined-benefit plans, 31 December	-478	-583

Change in pension obligation

Group	2012	2011
Fair value, 1 January	6,541	5,233
Benefits vested during the year	173	156
Benefits vested previous years	-3	-
Interest expense	229	249
Pension disbursements	-224	-208
Settlement	-12	56
Actuarial gain/loss	472	1,048
Translation differences	-11	7
Fair value, 31 December	7,165	6,541

Change in assets under management

Group	2012	2011
Fair value, 1 January	4,446	4,298
Assumed return	260	259
Withdrawals	-13	-19
Compensation paid for transferred operations	-2	-
Settlement	-9	60
Contributions	12	132
Actuarial gain/loss	65	-290
Translation differences	-15	6
Fair value, 31 December	4,744	4,446

Cost reported in the income statement

Group	2012	2011
Costs for employment during the current year	170	156
Costs for employment during previous years	-4	-
Interest expense for the obligation	229	249
Assumed return on assets under management	-260	-259
Amortised actuarial losses	183	70
Cost of defined-benefit plans in the income statement	318	216
Cost of defined-contribution plans	545	531
Payroll tax	189	146
Total cost of post-employment compensation	1,052	893

NOTE 37, CONT.

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

Group	2012	2011
MSEK		
Cost of goods sold	687	630
Marketing expenses	81	76
Administrative expenses	53	48
Research and development costs	79	79
Financial expenses	152	60
Total cost of post-employment compensation	1,052	893

Interest expense and amortisation of actuarial losses less the assumed return on assets under management is classified as financial expense. Other pension costs are divided by function in the income statement in relation to how payroll expenses are charged to the various functions.

Return on assets under management

Group	2012	2011
MSEK		
Actual return on assets under management	325	-31
Assumed return on assets under management	-260	-259
Actuarial result from assets under management during the year	65	-290

Assumptions for defined-benefit obligations

Group	2012	2011	2010	2009	2008
Per cent					
Significant actuarial assumptions as of closing day (expressed as weighted averages)¹⁾					
Discount rate, 31 December	3.00	3.50	4.80	4.00	4.25
Assumed return on assets under management, 31 December	3.00	6.00	6.00	5.00	5.00
Future salary increase	3.00	3.00	3.00	3.00	3.00
Future increase in pensions	2.00	2.00	2.00	2.00	2.00
Employee turnover	3.00	3.00	3.00	5.00	5.00
Anticipated remaining years in service	12.9	12.9	13.0	11.2	11.2

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 is based on covered Swedish mortgage bonds (AAA). Each assumed cash flow is discounted using an interest rate for the corresponding maturity.

Assumed return on assets under management: Of the assets managed by the Saab Pension Fund, 50 per cent is invested in interest-bearing bonds and 50 per cent in equities and hedge funds. According to the new updated standard (IAS 19R) assumed return on assets under management may not exceed the discount rate. Saab's pension fund does not own any Saab shares.

Long-term salary increase assumption: Assumed to be as high as the increase in the basic income amount. This means that Saab expects the same salary increases as the national average.

Long-term increase in basic income: Data from Statistics Sweden on current wage increases in the private sector provide an historical average during the period 1974–2000 of approximately 1 per cent above inflation.

Long-term rate of inflation: Based on the Riksbank's inflation target of 2 per cent.

Mortality: Mortality is the same assumption recommended by the Financial Supervisory Authority (FFFS 2007:31), based on Makeham formulas for men and women.

Marriage: Marriage is the same assumption recommended by the Financial Supervisory Authority (FFFS 2001:13).

Employee turnover: The likelihood that an individual ends his/her employment is assumed to be 3 per cent per year.

Effects of amendments to IAS 19 Employee Benefits

Year-end 2012

Statement of financial position MSEK	31-12-2012 actual	Adjustment IAS 19R	31-12-2012 restated
Fixed assets	12,026	-741	11,285
Deferred tax assets	213	515	728
Current assets	17,440	-	17,440
Total assets	29,679	-226	29,453

Equity	14,097	-2,817	11,280
Provision for pension	11	2,863	2,874
Deferred tax liabilities	981	-282	699
Other long-term liabilities	1,696	10	1,706
Current liabilities	12,894	-	12,894
Total liabilities	15,582	2,591	18,173

Total equity and liabilities **29,679** **-226** **29,453**

Equity/assets ratio 47.5% 38.3%

Income statement MSEK	2012 actual	Adjustment IAS 19R	2012 restated
EBIT	2,032	18	2,050
Financial net	-126	79	-47
Taxes	-367	-76	-443
Net income	1,539	21	1,560
EPS, SEK	14.33	0.19	14.52
Other comprehensive income after tax	-107	-300	-407
Net comprehensive income	1,432	-279	1,153

End of third quarter 2012

Statement of financial position MSEK	30-09-2012 actual	Adjustment IAS 19R	30-09-2012 restated
Fixed assets	11,875	-784	11,091
Deferred tax assets	120	596	716
Current assets	17,063	-	17,063
Total assets	29,058	-188	28,870

Equity	13,569	-2,679	10,890
Provision for pension	12	2,864	2,876
Deferred tax liabilities	933	-373	560
Other long-term liabilities	2,897	-	2,897
Current liabilities	11,647	-	11,647
Total liabilities	15,489	2,491	17,980

Total equity and liabilities **29,058** **-188** **28,870**

Equity/assets ratio 46.7% 37.7%

NOTE 37, CONT.

Income statement MSEK	jan-sep 2012 actual	Adjustment IAS 19R	jan-sep 2012 restated
EBIT	1,382	13	1,395
Financial net	-82	59	-23
Taxes	-346	-16	-362
Net income	954	56	1,010
EPS, SEK	8.98	0.51	9.49
Other comprehensive income after tax	-32	-301	-333
Net comprehensive income	922	-245	677

End of second quarter 2012

Statement of financial position MSEK	30-06-2012 actual	Adjustment IAS 19R	30-06-2012 restated
Fixed assets	12,111	-829	11,282
Deferred tax assets	86	458	544
Current assets	17,995	-	17,995
Total assets	30,192	-371	29,821

Equity	13,417	-2,356	11,061
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Provision for pension	12	2,398	2,410
Deferred tax liabilities	877	-413	464
Other long-term liabilities	3,043	-	3,043
Current liabilities	12,843	-	12,843
Total liabilities	16,775	1,985	18,760

Total equity and liabilities	30,192	-371	29,821
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Equity/assets ratio	44.4%		37.1%
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Income statement MSEK	jan-jun 2012 actual	Adjustment IAS 19R	jan-jun 2012 restated
EBIT	1,124	9	1,133
Financial net	-47	39	-8
Taxes	-274	-10	-284
Net income	803	38	841
EPS, SEK	7.61	0.35	7.96
Other comprehensive income after tax	1	40	41
Net comprehensive income	804	78	882

End of first quarter 2012

Statement of financial position MSEK	31-03-2012 actual	Adjustment IAS 19R	31-03-2012 restated
Fixed assets	12,403	-809	11,594
Deferred tax assets	81	404	485
Current assets	18,383	-	18,383
Total assets	30,867	-405	30,462

Equity	13,381	-2,143	11,238
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Provision for pension	12	2,122	2,134
Deferred tax liabilities	913	-384	529
Other long-term liabilities	3,370	-	3,370
Current liabilities	13,191	-	13,191
Total liabilities	17,486	1,738	19,224

Total equity and liabilities	30,867	-405	30,462
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Equity/assets ratio	43.4%		36.9%
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Income statement MSEK	jan-mar 2012 actual	Adjustment IAS 19R	jan-mar 2012 restated
EBIT	398	5	403
Financial net	-30	20	-10
Taxes	-103	-7	-110
Net income	265	18	283
EPS, SEK	2.56	0.16	2.72
Other comprehensive income after tax	37	273	310
Net comprehensive income	302	291	593

Opening balance 2012

Statement of financial position MSEK	01-01-2012 actual	Adjustment IAS 19R	01-01-2012 restated
Fixed assets	12,802	-921	11,881
Deferred tax assets	86	457	543
Current assets	18,911	-	18,911
Total assets	31,799	-464	31,335

Equity	13,069	-2,434	10,635
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Provision for pension	12	2,415	2,427
Deferred tax liabilities	1,012	-445	567
Other long-term liabilities	3,385	-	3,385
Current liabilities	14,321	-	14,321
Total liabilities	18,730	1,970	20,700

Total equity and liabilities	31,799	-464	31,335
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Equity/assets ratio	41.1%		33.9%
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NOTE 37, CONT.

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	31-12-2012	31-12-2011
ITP and the book reserve method	197	309
Other pensions	50	88
Other provisions for pensions	87	72
Total	334	469
Of which credit guarantees in PRI Pensionsgaranti	268	389

MSEK	2012	2011
Amount of provision expected to be settled after more than 12 months	182	333

Share Matching Plan In April 2007, Saab's Annual General Meeting resolved to offer employees the opportunity to participate in a Global Share Matching Plan. The Board considers it important that Saab's employees share a long-term interest in the appreciation of the company's shares. Employees who participate in the plan can have up to 5 per cent of their gross base salary withheld to purchase shares on the NASDAQ OMX 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.

In April 2008, Saab's Annual General Meeting resolved to introduce a Performance-Based Plan for senior executives and key employees entitling them to 2–5 matching shares depending on the category the employee belongs to. In addition to the requirement that the employee remain employed by Saab after three years, there is a requirement that earnings per share grow in the range of 5 to 15 per cent on average per year during the three-year period. The Annual General Meeting 2011 amended the terms of the Performance Share Plan 2011, compared to previous years' programmes, so that those who are eligible may also participate in Saab's Share Matching Plan 2011 and so that the Performance Share Plan 2011 entitles participants to 1–4 matching shares, depending on the category to which the employee belongs.

2008 Share Matching Plan

In April 2008, Saab's Annual General Meeting resolved to offer employees a new Share Matching Plan with terms comparable to the 2007 plan. In 2009, employees purchased 680,267 Series B shares, corresponding to the maximum number of matching shares. The number of participants from the outset was 3,194. Matching took place on four occasions during 2012. A total of 631,434 shares were matched under the programme, corresponding to 93 per cent of the purchased shares.

2009 Share Matching Plan

In April 2009, Saab's Annual General Meeting resolved to offer a third Share Matching Plan with terms comparable to the previous years' plans. In 2010, participants purchased 462,877 Series B shares, corresponding to the total number of matching shares. The number of participants from the outset was 2,841. Matching will take place on three occasions during 2013 and one occasion in January 2014.

2010 Share Matching Plan

In April 2010, Saab's Annual General Meeting resolved to offer a fourth Share Matching Plan with terms comparable to the previous years' plans. In 2011, participants purchased 303,033 Series B shares, corresponding to the total number of matching shares. The number of participants from the outset was 2,315.

2011 Share Matching Plan

In April 2011, Saab's Annual General Meeting resolved to offer a fifth Share Matching Plan with terms comparable to the previous years' plans. In 2012, participants purchased 413,863 Series B shares, corresponding to the total number of matching shares. The number of participants from the outset was 2,794.

2008 Performance Share Plan

Approximately 280 senior executives and key employees were invited to participate in the first Performance Share Plan. The number of participants from the outset was 193. Participants in the plan purchased 123,590 shares. It was determined after the close of the measurement period, 30 September 2011, that the growth requirement earnings per share of 5 to 15 per cent on average per year during the three year period had not been reached; accordingly, no matching has been issued in 2012.

2009 Performance Share Plan

In the second Performance Share Plan, the 138 participating employees purchased 62,633 shares in 2010. It was determined after the close of the measurement period, 31 December 2012, that the growth requirement earnings per share of 5 to 15 per cent on average per year during the three-year period had been reached and totalled about 35 per cent. The participants will thus receive a maximum matching award. Matching will take place on three occasions during 2013 and on occasion in January 2014.

2010 Performance Share Plan

In the third Performance Share Plan, the 115 participating employees purchased 46,972 shares in 2011.

2011 Performance Share Plan

In the fourth Performance Share Plan, the 176 participating employees purchased 82,007 shares in 2012.

2012 Share Matching Plan and Performance Share Plan

In April 2012, Saab's Annual General Meeting resolved to offer employees a new Share Matching Plan and a new Performance Share Plan. The Share Matching Plan for 2012 covers all employees. The Performance Share Plan which covers senior executives and key employees, entitles participants to 1–4 matching shares, depending on the category to which the employee belongs. The plans start in January 2013 and continue through calendar year 2013. The maximum number of matching shares in these two plans is 1,040,000.

Share Matching Plan	2008 plan	2009 plan	2010 plan	2011 plan	Total
Number of matching shares at beginning of the year	588,796	431,696	299,272	-	1,319,764
Allotted during the year (treasury shares)	-	-	-	413,863	413,863
Early matching	-8,080	-8,009	-6,069	-1,287	-23,445
Ordinary matching	-575,426	-	-	-	-575,426
Forfeited matching shares	-5,290	-6,665	-3,946	-3,594	-19,495
Number of matching shares eligible at year-end	-	417,022	289,257	408,982	1,115,261
Number of participants, 31 Dec. 2012	-	2,558	2,181	2,765	
% of total number of employees	-	18	16	20	
Average remaining maturity, years	-	0.7	1.7	2.7	
Performance Share Plan		2009 plan	2010 plan	2011 plan	Total
Number of matching shares at beginning of the year		55,269	46,650	-	101,919
Allotted during the year (treasury shares)		-	-	82,007	82,007
Forfeited matching shares		-2,829	-1,631	-10,383	-14,843
Number of matching shares eligible at year-end		52,440	45,019	71,624	169,083
Number of participants, 31 Dec. 2012		119	107	175	
Average remaining maturity, years		0.7	1.7	2.7	

NOTE 37 CONT.

Recognised expense for above-mentioned plan, including social security expenses	2012	2011
Share Matching Plan 2007	-	22
Share Matching Plan 2008	13	25
Share Matching Plan 2009	20	20
Share Matching Plan 2010	15	4
Share Matching Plan 2011	8	-
Performance Share Plan 2009	5	5
Performance Share Plan 2010	5	1
Performance Share Plan 2011	3	-
Total	69	77

The fair value of the services rendered is based on the share price of the matching shares that are expected to be allotted. The share price is determined at the time of the participants' investment adjusted by the dividend that does not accrue to the employee during the vesting period.

The expense for the share plans is included in operating income and is recognised in the balance sheet as equity and accrued expenses (social security fees). Administrative expenses for the share matching plans amounted to MSEK 6 (5) in 2012.

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 amount to SEK 4,345,000 (4,075,000), consisting of SEK 1,165,000 (1,100,000) to the Chairman, SEK 480,000 (425,000) to the Deputy Chairman and SEK 450,000 (425,000) to each of the other members elected by the Annual General Meeting, with the exception of the President.

For audit committee work, committee chairman Per-Arne Sandström also received a fee of SEK 150,000 (150,000) and committee members Johan Forssell and Joakim Westh each received a fee of SEK 100,000 (100,000).

For remuneration committee work, committee chairman Lena Treschow Torell also received a fee of SEK 135,000 (135,000) and committee members Marcus Wallenberg and Sten Jakobsson each received a fee of SEK 80,000 (80,000).

Remuneration to the President

The salary paid to the President and CEO consists of a fixed salary. The previous short-term variable portion was discontinued as of 2011 in accordance with the resolution of the Annual General Meeting. 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 Saab Global Performance Share Plans approved by the 2009, 2010 and 2011 Annual General Meetings.

Outstanding matching rights in the Saab Global Performance Share Plan 2009 amount to SEK 510,265 (260,329) as of 31 December 2012 at estimated outcomes. Corresponding figures for the Saab Global Performance Share Plans 2010 and 2011 are SEK 1,191,681 (275,318) and 347,060, respectively, at estimated outcomes.

During the period 1 January through 31 December 2012, Håkan Buskhe received salary and other benefits totaling SEK 10,749,306 (10,341,508), of which other benefits, including Performance Share Plans, amounted to SEK 1,539,935 (1,678,261).

Pension terms

The retirement age for the President is 62 years. The President has a defined-contribution pension plan. He may decide himself on the payment term, though this must fall within the provisions of Swedish income tax law. The pension cost for Saab consists of pension premiums amounting to 30 per cent of the fixed salary until the President turns 50, after which the pension premium will amount 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. During his first five years of employment, the President also receives an extra pension contribution of SEK 440,000, payment of which is made annually and is conditional on Håkan Buskhe remaining an employee.

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

For 2012, the cost of Håkan Buskhe's pension, including ITP, was SEK 3,420,807 (3,187,551).

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 salary during the period of notice and 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 13 individuals (13) in 2012, consisting of the Executive Vice President, heads of the business areas and Heads of Group Staffs. During 2012, the following senior executives left their positions at the company: General Counsel Anne Gynnerstedt (8 January) and Senior Vice President and Chief Financial Officer Lars Granlöf (29 February). Senior Vice President and Head of Group Human Resources Mikael Grodzinsky left the Group Management on 31 January, the date on which Lena Eliasson assumed that post. The following two senior executives took up posts: General Counsel Annika Bärems (1 February) and Senior Vice President and Chief Financial Officer Magnus Örnberg (1 November). From 1 March through 31 October, Görgen Johansson served as Acting Senior Vice President and Chief Financial Officer. At the turn of 2012/2013, Group Management was therefore comprised of 14 persons, including the CEO.

The salaries paid to other senior executives consist of a fixed salary. The previous short-term variable portion was discontinued as of 2011 in accordance with the resolution of the Annual General Meeting. 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.

Since November 2008, all eligible executives have participated in the Saab Global Performance Share Plans approved by the Annual General Meetings in 2009, 2010 and 2011. The Saab Global Performance Share Plan 2008 was concluded in January 2013. Outstanding matching rights in the Saab Global Performance Share Plan 2009 amount to SEK 3,032,384 (2,373,575) as of 31 December 2012 at estimated outcomes, while corresponding figures for the Saab Global Performance Share Plans 2010 and 2011 amount to SEK 2,037,447 (668,333) and SEK 681,877, respectively, at estimated outcomes.

In 2012, the other senior executives received salaries and other benefits totalling SEK 45,334,496 (48,405,129), of which other benefits, including Performance Share Plans, accounted for SEK 6,021,072 (4,112,686).

Pension terms

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

In addition to ITP, 13 members of the group (13) are affiliated with the Saab plan, which is defined-contribution and vested. The Saab plan provides pensions benefits over and above ITP or its equivalent on salary levels between 20 and 30 basic amounts as well as on salary segments over 30 basic amounts. The individuals themselves can decide on the payment term, though this must fall within the provisions of Swedish income tax law. Moreover, an insurance policy finances the period between the ages of 60 or 62 years and 65 years.

The pension cost for Saab consists of pension premiums, which are based on a percentage of qualifying salaries. The percentage rate is determined by each executive's time remaining until the pension age, 60 or 62 years, when joining the plan. The aggregate insurance balance should cover a targeted pension from 65 years of approximately 32.5 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.

Of the other senior executives, two individuals received cash settlements of a non-recurring nature upon recruitment. An amount totalling SEK 1,990,000 will be paid during a period of 36 months from the start of employment. The payments are made monthly in the form of pension premiums and are conditional upon the recipients not giving notice of termination of employment. SEK 358,056 has been paid during 2012. Pension obligations

NOTE 37, CONT.

are vested. In 2012, pension costs for other senior executives, including ITP and its equivalent, amounted to SEK 16,677,569 (16,127,093). Other senior executives are entitled, or obliged if the company so requests, to retire on pension as of the age of 60 or 62 years.

Severance terms

If terminated by the company, the group of other senior executives will receive a salary and pension benefits for six months (period of notice). Thereafter they will receive severance pay equivalent to 18 months of salary, based on their fixed salary. Severance is paid monthly with the first payment in the month after employment has ended. Severance is not paid for the period that

falls after the contractual pension age. Employees hired before 1 January 2005 who have reached the age of 55 are entitled to another six months of severance.

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

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.

Summary of compensation and other benefits during 2012

SEK	Base salary/ Board and Committee fee	Variable compensation	Performance Share Plan	Other benefits ³⁾	Pension cost	Total	Provisions 2012 for long-term variable compensation at estimated outcome
Chairman of the Board							
Marcus Wallenberg	1,245,000	-	-	-	-	1,245,000	-
Deputy Chairman							
Sten Jakobsson	560,000	-	-	-	-	560,000	-
Other Board members							
Åke Svensson	450,000	-	-	-	-	450,000	-
Johan Forssell	550,000	-	-	-	-	550,000	-
Per-Arne Sandström	600,000	-	-	-	-	600,000	-
Cecilia Stegö Chilò	450,000	-	-	-	-	450,000	-
Lena Treschow Torell	585,000	-	-	-	-	585,000 ²⁾	-
Joakim Westh	550,000	-	-	-	-	550,000	-
President and CEO Håkan Buskhe	9,209,371	-	1,513,359	26,576	3,420,807	14,170,113	2,049,006
Other senior executives	39,313,424	358,056 ¹⁾	3,535,145	2,485,927	16,319,513	62,012,065	5,751,708
Total	53,512,795	358,056	5,048,504	2,512,503	19,740,320	81,172,178	7,800,714

1) Relates to remuneration to two senior executives, which, according to their contracts, was paid in the form of pension premiums.

2) Social security costs must be added since parts of the fees are invoiced through a limited company. Board members who invoice the amount for board and committee fees through a limited company may on their invoices add an amount for social security contributions. The social security contributions included in the invoiced amount do not exceed the employer's contribution the company otherwise would have paid.

3) Including compensation for the additional costs the benefits lead to.

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

Summary of compensation and other benefits during 2011

SEK	Base salary/ Board and Committee fee	Variable compensation	Performance Share Plan	Other benefits ⁶⁾	Pension cost	Total	Provisions 2011 for long-term variable compensation at estimated outcome
Chairman of the Board							
Marcus Wallenberg	1,180,000	-	-	-	-	1,180,000	-
Deputy Chairman							
Sten Jakobsson	505,000	-	-	-	-	505,000	-
Other Board members ¹⁾							
Åke Svensson	425,000	-	-	-	-	425,000	-
Johan Forssell	525,000	-	-	-	-	525,000	-
Per-Arne Sandström	575,000	-	-	-	-	575,000	-
Cecilia Stegö Chilò	425,000	-	-	-	-	425,000	-
Lena Treschow Torell	560,000	-	-	-	-	560,000	-
Joakim Westh	525,000	-	-	-	-	525,000	-
Michael O'Callaghan ⁷⁾	-	-	-	-	-	-	-
President and CEO Håkan Buskhe ⁴⁾	8,663,247	-	520,042	1,158,219 ²⁾	3,187,551	13,529,059	535,647
Other senior executives ⁴⁾	41,898,577 ⁵⁾	2,393,866 ³⁾	2,365,683	1,747,003	16,127,093 ⁵⁾	64,532,222	3,041,908
Total	55,281,824	2,393,866	2,885,725	2,905,222	19,314,644	82,781,281	3,577,555

1) Excluding consultant's fee paid to member of the Board.

2) Including benefits for air travel.

3) Including remuneration to two senior executives, which, according to their contracts, was paid in the form of pension premiums.

4) In addition, cash payments related to bonuses for 2010 were made in the amount of SEK 3,665,530.

5) Including estimated remuneration allocated for seniors executives who leave Group Management in 2012.

6) Including compensation for the additional costs the benefits lead to.

7) Employed by BAE Systems. Resigned on June 16 2011, as a result of BAE System's sale of its shareholding in Saab.

NOTE 38 Provisions

Group		
MSEK	31-12-2012	31-12-2011
Provisions that are long-term liabilities		
Obligations related to regional aircraft	684	1,119
Expenditures for restructuring measures	66	89
Loss contracts	229	245
Other	307	275
Total	1,286	1,728

Provisions that are current liabilities		
Obligations related to regional aircraft	10	12
Expenditures for restructuring measures	52	115
Loss contracts	178	160
Other	325	459
Total	565	746

Parent Company		
MSEK	31-12-2012	31-12-2011
Obligations related to regional aircraft	278	320
Expenditures for restructuring measures	54	78
Loss contracts	266	358
Other	237	278
Total	835	1,034

Obligations related to regional aircraft

MSEK	Group	Parent Company
Opening balance, 1 January 2012	1,131	320
Amount utilised during the year	-408	-42
Translation differences and other	-29	-
Closing balance, 31 December 2012	694	278

Expenditures for restructuring measures

MSEK	Group	Parent Company
Opening balance, 1 January 2012	204	78
Provisions allocated during the year	35	33
Amount utilised during the year	-114	-52
Reversal of unutilised amount	-1	-1
Reclassification	-6	-4
Closing balance, 31 December 2012	118	54

Loss contracts

MSEK	Group	Parent Company
Opening balance, 1 January 2012	404	358
Provisions allocated during the year	301	169
Amount utilised during the year	-302	-251
Reversal of unutilised amount	-6	-6
Reclassification	11	-4
Translation differences and other	-1	-
Closing balance, 31 December 2012	407	266

Other provisions

MSEK	Group	Parent Company
Opening balance, 1 January 2012	735	278
Provisions allocated during the year	69	44
Amount utilised during the year	-115	-74
Reversal of unutilised amount	-38	-11
Reclassification	-5	-
Translation differences and other	-14	-
Closing balance, 31 December 2012	632	237

Total provisions

MSEK	Group	Parent Company
Opening balance, 1 January 2012	2,474	1,034
Provisions allocated during the year	405	246
Amount utilised during the year	-939	-419
Reversal of unutilised amount	-45	-18
Reclassification	-	-8
Translation differences and other	-44	-
Closing balance, 31 December 2012	1,851	835

Regional aircraft

Commitments regarding regional aircraft refer to anticipated deficits and other obligations related to the termination of the leasing portfolio. Saab expects the leasing portfolio to be divested around 2015.

Restructuring

Structural costs primarily relate to the costs to adapt resources and change-over costs. The expenditure is expected to fall in 2013-2015.

Project losses

Provisions for project losses on the closing day primarily relate to Helicopter 14, command and control projects and certain other military projects. The provisions are utilised in pace with the project's completion.

Other provisions

Other provisions primarily relate to provisions for guarantees and remaining costs in projects as well as for environmental commitments.

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 39 Other Liabilities

Group		
MSEK	31-12-2012	31-12-2011
Other long-term liabilities		
Long-term prepaid revenue	20	49
Other	285	390
Total	305	439
Other current liabilities		
Liabilities to associated companies	5	6
Value-added tax	136	240
Preliminary tax	177	129
Deposits in leasing operations	17	31
Other	425	341
Total	760	747

NOTE 39, CONT.

Group			
MSEK	31-12-2012	31-12-2011	
Liabilities due for payment more than five years after closing day	32	32	
Parent Company			
MSEK	31-12-2012	31-12-2011	
Value-added tax	81	163	
Preliminary tax	116	73	
Other	432	251	
Total	629	487	
Liabilities due for payment more than five years after closing day	12	12	

Other liabilities in the Parent Company include both interest-bearing and non-interest-bearing liabilities. For a comparison with the Group, see also Note 35.

Saab does not consider there to be a significant difference between book and fair value.

NOTE 40 Accrued Expenses and Deferred Income

MSEK	Group		Parent Company	
	31-12-2012	31-12-2011	31-12-2012	31-12-2011
Accrued expenses				
Accrued project costs	1,061	1,620	513	1,134
Vacation pay liability	877	787	672	584
Expected invoices	333	467	262	419
Social security expenses	463	444	348	321
Personnel liabilities	204	238	131	171
Accrued leasing costs	79	103	-	-
Cost of customer commitments in regional aircraft	166	95	166	95
Claims reserve	78	57	29	2
Royalties and commissions	121	35	107	22
Accrued interest	16	23	16	23
Other	277	223	231	50
Total accrued expenses	3,675	4,092	2,475	2,821
Deferred income				
Liabilities to customers	3,039	4,038	2,711	3,628
Prepaid insurance compensation	244	417	-	-
Retained project interest	8	12	8	12
Capitalised changes in value related to forward contract rollovers	-	-	362	578
Other	27	70	17	67
Total deferred income	3,318	4,537	3,098	4,285
Total	6,993	8,629	5,573	7,106

Saab does not consider there to be a significant difference between book and fair value.

NOTE 41 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.

Financial risk management

The Board of Directors of Saab has approved a Group Treasury Policy, which provides an overall description of the management of financial risks and treasury operations. The goal is to identify and actively manage financial risks in order to reduce the negative impact on the Group's results, competitive strength and financial flexibility.

The financial risks are defined as follows:

- Foreign currency risk
- Interest rate risk
- Liquidity and financing risk
- Commodity risk
- Credit and counterparty risk

Saab uses derivatives primarily to:

- convert anticipated commercial cash flows in foreign currency to SEK
- convert borrowings in SEK, or surpluses in SEK, to the currencies in which assets are denominated (primarily relates to aircraft that Saab owns in its leasing fleet)
- convert the fixed interest periods in leases to coincide with leasing revenue and the desired fixed interest rates for other assets and liabilities

Responsibility for managing the Group's financial risks and developing methods and principles to manage financial risks is centralised in Group Treasury. The operating business areas have directives and processes that describe how financial risks shall be managed. Furthermore, Group Management has issued detailed directives and guidelines for Group Treasury's operations.

Management of insurance is centralised in the Group's insurance company, Lansen Försäkrings AB, where external transactions are handled as well. Customer finance, guaranty and finance issues are also managed by Group Treasury.

The Group's internal bank, Saab Treasury, is responsible for the Group's cash management, financing, management of interest rate and currency risks and also electricity risks. Saab has an agreement with an external party to manage the Group's electricity risks through discretionary management. Other commodity risk is managed primarily through contractual clauses.

To a limited extent, the Group Treasury Policy allows proprietary trading in currency and fixed income derivatives. The main purpose of this trading is to gain access to qualitative market information and maintain a high level of market expertise. Saab Treasury has a risk mandate expressed as VaR (Value at Risk) of MSEK 50 (50), which is divided between management of economic risks in the Tender to Contract portfolio, trading and electricity derivatives. During the year, approximately MSEK 15 was allocated to the trading portfolio and approximately MSEK 35 to the Tender to Contract portfolio. VaR is a probability-based method based on historical price fluctuations and correlations and is considered a standard in the financial industry. The method provides a measure of the probability of the maximum loss over a specific number of days. Saab uses three days and a 99-per cent probability. The Treasury Risk Analysis unit reports each portfolio's risk defined according to established risk measures to Group Management on a daily basis.

Financial instruments

Financial assets in the Group mainly comprise accounts receivable, accrued income, interest-bearing receivables, liquid assets, fixed income investments and derivatives with positive market values. Saab's financial liabilities mainly comprise interest-bearing liabilities, accounts payable, accrued expenses and derivatives with negative market values. The following tables show a subdivided statement of financial position categorised and classified according to IAS 39. A more detailed description of the categories can be found in Note 1, Accounting principles.

NOTE 41, CONT.

Classification and categorisation of financial assets and liabilities	Fair value through profit and loss for trading	Designated as at fair value through profit and loss	Held-to-maturity investments	Loans receivable and accounts receivable	Financial liabilities	Derivatives identified as cash flow hedges	Derivatives identified as fair value hedges	Total financial assets and liabilities	Measured at fair value
2012									
Financial assets									
Financial investments	-	49	144	-	-	-	-	193	192
Long-term receivables	-	-	-	879	-	-	-	879	879
Derivatives									
Forward exchange contracts	30	-	-	-	-	440	16	486	486
Currency options	24	-	-	-	-	-	-	24	24
Interest rate swaps	1	-	-	-	-	-	-	1	1
Electricity derivatives	-	-	-	-	-	3	-	3	3
Total derivatives	55	-	-	-	-	443	16	514	514
Accounts receivable and other receivables	-	-	-	6,361	-	-	-	6,361	6,361
Short-term investments	-	3,963	-	-	-	-	-	3,963	3,963
Liquid assets	-	-	-	1,616	-	-	-	1,616	1,616
Total financial assets	55	4,012	144	8,856	-	443	16	13,526	13,525
Financial liabilities									
Interest-bearing liabilities	-	-	-	-	1,742	-	-	1,742	1,758
Derivatives									
Forward exchange contracts	4	-	-	-	-	191	3	198	198
Currency options	15	-	-	-	-	-	-	15	15
Interest rate swaps	24	-	-	-	-	-	-	24	24
Electricity derivatives	-	-	-	-	-	17	-	17	17
Total derivatives	43	-	-	-	-	208	3	254	254
Other liabilities	-	-	-	-	5,848	-	-	5,848	5,848
Total financial liabilities	43	-	-	-	7,590	208	3	7,844	7,860
2011									
Financial assets									
Financial investments	-	54	143	-	-	-	-	197	199
Long-term receivables	-	-	-	1,046	-	-	-	1,046	1,046
Derivatives									
Forward exchange contracts	15	-	-	-	-	430	21	466	466
Currency options	29	-	-	-	-	-	-	29	29
Interest rate swaps	1	-	-	-	-	-	-	1	1
Electricity derivatives	23	-	-	-	-	1	-	24	24
Total derivatives	68	-	-	-	-	431	21	520	520
Accounts receivable and other receivables	-	-	-	7,136	-	-	-	7,136	7,136
Short-term investments	-	4,555	-	-	-	-	-	4,555	4,555
Liquid assets	-	-	-	1,918	-	-	-	1,918	1,918
Total financial assets	68	4,609	143	10,100	-	431	21	15,372	15,374
Financial liabilities									
Interest-bearing liabilities	-	-	-	-	1,738	-	-	1,738	1,751
Derivatives									
Forward exchange contracts	15	-	-	-	-	492	8	515	515
Currency options	43	-	-	-	-	-	-	43	43
Interest rate swaps	31	-	-	-	-	-	-	31	31
Electricity derivatives	22	-	-	-	-	17	-	39	39
Total derivatives	111	-	-	-	-	509	8	628	628
Other liabilities	-	-	-	-	6,201	-	-	6,201	6,201
Total financial liabilities	111	-	-	-	7,939	509	8	8,567	8,580

NOTE 41, CONT.

The Group's outstanding derivatives

Currency derivatives			Fair value 2012			Fair value 2011			
Million	Currency	Nominal currency	Asset SEK	Liability SEK	Net	Nominal currency	Asset SEK	Liability SEK	Net
Maturity up to one year	EUR	-264	122	53	69	-299	160	46	114
	USD	-511	111	41	70	-342	57	160	-103
	Other	-	46	43	3	-	67	79	-12
Outstanding currency derivatives with maturities up to one year, total			279	137	142		284	285	-1
Maturity one to three years	EUR	-80	66	40	26	-119	78	39	39
	USD	-217	63	12	51	-186	46	115	-69
	Other	-	5	5	-	-	12	17	-5
Outstanding currency derivatives with maturities of one to three years, total			134	57	77		136	171	-35
Maturity three to five years	EUR	-66	27	6	21	-32	22	11	11
	USD	-125	51	3	48	-172	27	49	-22
Outstanding currency derivatives with maturities of three to five years, total			78	9	69		49	60	-11
Maturity over five years	EUR	-26	16	-	16	-30	20	-	20
	USD	-21	2	1	1	-59	7	15	-8
Outstanding currency derivatives with maturities over five years, total			18	1	17		27	15	12
Currency derivatives, total¹⁾			509	204	305		496	531	-35

1) Retained premiums on open currency option contracts amount to MSEK 9 (28).

Interest derivatives			Fair value 2012			Fair value 2011			
Million	Currency	Nominal currency	Asset SEK	Liability SEK	Net	Nominal currency	Asset SEK	Liability SEK	Net
Maturity up to one year	SEK	668	1	9	-8	600	-	4	-4
	USD	-	-	-	-	-	-	2	-2
Outstanding interest derivatives with maturities up to one year, total			1	9	-8		-	6	-6
Maturity one to three years	SEK	453	-	21	-21	1,021	1	22	-21
	USD	16	-	7	-7	-	-	-	-
Outstanding interest derivatives with maturities of one to three years, total			-	28	-28		1	22	-21
Maturity three to five years	SEK	-	-	-	-	100	-	6	-6
	USD	-	-	-	-	20	-	16	-16
Outstanding interest derivatives with maturities of three to five years, total			-	-	-		-	22	-22
Maturity over five years	SEK	-	-	-	-	-	-	-	-
Outstanding interest derivatives with maturities over five years, total			-	-	-		-	-	-
Interest derivatives, total²⁾			1	37	-36		1	50	-49

2) Market value includes accrued interest of MSEK -13 (-19) and retained premiums on open contracts of MSEK 0 (0).

Electricity derivatives			Fair value 2012			Fair value 2011		
Million	Megawatt	Asset SEK	Liability SEK	Net	Megawatt	Asset SEK	Liability SEK	Net
Maturity up to one year	14	4	13	-9	15	24	34	-10
Outstanding electricity derivatives with maturities up to one year, total		4	13	-9		24	34	-10
Maturity one to three years	17	-	4	-4	14	-	5	-5
Outstanding electricity derivatives with maturities of one to three years, total		-	4	-4		-	5	-5
Electricity derivatives, total		4	17	-13		24	39	-15
DERIVATIVES, TOTAL		514	258	256		521	620	-99
(of which derivatives used for cash flow hedges)				235				-78
Accrued interest and retained premiums, see Notes 1 and 2 above		-	-4	-4		-9	-	-9
Netting accrued interest and premiums		-	-	-		8	8	-
DERIVATIVES ACCORDING TO GROUP'S FINANCIAL POSITION		514	254	260		520	628	-108

NOTE 41, CONT.

Foreign currency risk

The Group hedges the entire order backlog with the help of currency derivatives. As a result, changes in exchange rates do not affect the Group's future results with respect to the current order backlog. Future order bookings are exposed to fluctuations in exchange rates in terms of competitive strength. This is managed partly by Group Treasury, which hedges the economic exposure in fixed price tenders.

Definitions

Foreign currency risk refers to the risk that fluctuations in exchange rates will negatively affect income. Exchange rate fluctuations affect Saab's income and equity in various ways:

- Income is affected when sales and the cost of goods and services sold are in currencies other than the functional currency (economic and transaction exposure)
- Income is affected when the income of foreign Group companies is translated to SEK (translation exposure)
- Income or equity is affected when the assets and liabilities of foreign Group companies are translated to SEK (translation exposure)
- Income can be affected by impairment tests of non-hedged future cash flows in foreign currency in unprofitable contracts (impairment testing)

Saab manages the above-mentioned types of exposure. Policy descriptions are provided under each exposure.

Framework agreements, which contain both transaction and economic exposures, are in place mainly for various civil aeronautics programmes.

Economic exposure

Fixed-price tenders in foreign currency entail a foreign currency risk that constitutes an economic exposure. This risk is limited primarily through contract formulations (foreign currency clauses) or by bidding in the same currency as the Group unit's expenses.

In cases where fixed-price tenders are issued in foreign currency, the net exposure is hedged with financial instruments. The foreign currency risk that arises for tenders is managed by Saab Treasury within the framework of the Tender to Contract portfolio. The purpose of the portfolio is to minimise the Group's foreign currency risk during the tender period and reduce hedging costs. The following table shows outstanding nominal net hedges by currency as of year-end.

Net hedges (million)	Forward contracts ¹⁾		Options ²⁾		Total hedge	
	2012	2011	2012	2011	2012	2011
USD	-189	6	-162	-177	-351	-171
EUR	-31	-31	-43	-88	-74	-119
GBP	-16	-6	-3	-11	-19	-17
AUD	-	-	4	-	4	-
CAD	-	-	-	-37	-	-37
CZK	-	35	-	-	-	35
THB	-	-1,382	-	-	-	-1,382

1) Also contains sold call and put options.

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

The tender insurance portfolio is governed by a risk measure based on a probability-weighted VaR measure consisting of two parts. One part is the cumulative VaR measure of the external hedge for each tender hedge. The other part is the cumulative VaR measure of the benchmark hedge for each tender hedge. The benchmark hedge is the hedge to be used externally based

on Group Treasury policy. If the external hedges for the portfolio's tender hedges correspond with the portfolio's pre-defined benchmark hedges, the tender insurance portfolio will by definition be risk-neutral – i.e., its var measure will be nil.

The var for tender hedge portfolio amounted to MSEK 7 (24) at year-end. Hedge accounting is not applied to the portfolio's hedges, due to which the Group's results are 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 2012 was MSEK 15 (-32).

Transaction exposure

Future cash flows in foreign currency from the order backlog and framework agreements are hedged to safeguard gross margins. In 2012, countries outside Sweden accounted for 64 per cent (63) of Saab's sales. Since a large part of production takes place in Sweden with expenses denominated in SEK, Saab has large net flows in foreign currency.

The order backlog contains contracted flows and therefore constitutes a transaction exposure. The predominant contract currencies in the order backlog of SEK 34.2 billion (37.2) are SEK, USD, EUR and GBP. Of the total order backlog, 68 per cent (63) is in fixed prices with or without indexing, while the remaining 32 per cent (37) contains variable prices with index and/or currency clauses.

Netting is applied at the Group level to minimise the transaction exposure in foreign currencies; i.e., incoming currency is utilised to pay for purchases in the same currency. Currency clauses or transactions in the currency market with forward exchange contracts as hedging instruments are used as well. Hedges are normally arranged for each specific contract. The average forward rate is then used as the contract's rate of revenue recognition.

An analysis has been made of the currency sensitivity of the market value of outstanding external hedges for the order backlog and framework agreements. The effect of a change in exchange rates in the net result of cash flow hedges in equity (pre-tax) where the SEK depreciates (making foreign currency more expensive) or appreciates is shown in the following table.

	Market value 31-12-2012	SEK depreciation of 10%	SEK appreciation of 10%
Market value in MSEK	273	-488	1,034
Change		-761	761

The currency sensitivity in the order backlog is shown in the table below, i.e., the effects of a change in exchange rates when the SEK depreciates or appreciates in value. In the table, the order backlog for foreign subsidiaries has been restated to MSEK.

	Order backlog 31-12-2012	SEK depreciation of 10%	SEK appreciation of 10%
Order backlog, MSEK	34,151	34,561	33,741
Change		410	-410

Hedge accounting according to IAS 39 is applied to derivatives intended to hedge the transaction exposure. The inefficiency in the cash flow hedges that affected net income for the year amount to MSEK 0 (1).

NOTE 41, CONT.

The table below shows the cash flows corresponding to the derivatives recognised as cash flow hedges in 2012 and 2011 expressed in millions in local currency.

Cash flow hedges by currency

Million	CZK			EUR			GBP			NOK			THB			USD			ZAR		
	Outflow	Inflow	Net	Outflow	Inflow	Net	Outflow	Inflow	Net	Outflow	Inflow	Net	Outflow	Inflow	Net	Outflow	Inflow	Net	Outflow	Inflow	Net
< 90 days	-31	27	-4	-31	123	92	-25	50	25	-	9	9	-135	1,139	1,004	-93	183	90	-13	1	-12
91-180 days	-10	20	10	-8	33	25	-6	38	32	-1	1	-	-101	421	320	-32	67	35	-18	15	-3
181-210 days	-19	4	-15	-13	37	24	-2	13	11	-	-	-	-29	568	539	-22	51	29	-	-	-
211-360 days	-11	19	8	-14	51	37	-5	5	-	-	1	1	-10	50	40	-38	60	22	-11	-	-11
2014	-6	17	11	-30	70	40	-2	10	8	-	-	-	-84	1,251	1,167	-32	121	89	-1	-	-1
2015	-	3	3	-13	35	22	-2	-	-2	-	-	-	-38	555	517	-22	111	89	-	-	-
2016	-	-	-	-5	51	46	-	-	-	-	-	-	-11	-	-11	-5	86	81	-	-	-
2017	-	-	-	-2	11	9	-	-	-	-	-	-	-	-	-	-	39	39	-	-	-
2018 and forward	-	-	-	-1	21	20	-	-	-	-	-	-	-	-	-	-	22	22	-	-	-
Total flows 2012	-77	90	13	-117	432	315	-42	116	74	-1	11	10	-408	3,984	3,576	-244	740	496	-43	16	-27
Total flows 2011	-34	148	114	-153	501	348	-51	158	107	-9	8	-1	-46	2,350	2,304	-245	912	667	-129	41	-88

Translation exposure

The translation exposure in the Group relates to the operations of foreign subsidiaries. Saab Aircraft Leasing's operations in Sweden have their economic environments in USD (functional currency) and are translated from the functional currency to SEK. The translation exposure comprises net assets in foreign currency and arises in connection with acquisitions and divestments. The value of equity subject to translation exposure amounted to MSEK 3,443 (2,704) at year-end; see the table below.

Net assets translated to SEK

MSEK	31-12-2012	31-12-2011
USD	1,581	1,861
EUR	533	33
AUD	434	470
ZAR	440	573
Other currencies	455	433
Total	3,443	3,370

The effect on net assets of a change in exchange rates where the SEK depreciates or appreciates is shown in the table below.

Sensitivity analysis of net assets

MSEK	Net assets 31-12-2012	SEK appreciation of 10%	SEK depreciation of 10%
USD	1,581	1,423	1,740
EUR	533	480	587
AUD	434	390	477
ZAR	440	396	484
Other currencies	455	410	499
Total	3,443	3,099	3,787

The foreign currency risk to the Group's income and equity from translation effects (the translation exposure) is not hedged, pursuant to the Group Treasury Policy.

Impairment tests

Long-term contracts in commercial aircraft programmes consist of a hedged order backlog and estimated future orders (business case) with cash flows primarily in USD. Cash flows from the latter are normally hedged when they

become confirmed orders. In connection with impairment tests of loss contracts, income is affected by the revaluation of future cash flows at spot rates. Larger changes in exchange rates, primarily in USD against SEK, have a significant impact on income. This exposure is not hedged.

Interest rate risks

Interest rate risk refers to the risk that Saab will be negatively affected by changes in interest rate levels.

Interest rate risk has been identified in the following areas:

- 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. Large items of this type refer to pension obligations and leasing operations.
- Saab's net financial items are affected by changes in market rates. Interest rate effects on advance financing affect gross income.

Interest rate risks in the Group's financial investments are managed based on high liquidity and a duration of 12 months, with the option of deviating by +/- 12 months. As of year-end, the duration for investments was 17 months (18). Interest rate risks in the Group's funding are managed based on a benchmark with an 18-month duration, with the option of deviating by +/- 18 months. As of year-end, the duration for financing was 8 months (14).

Interest rate futures and swaps are used for interest risk management to achieve the desired duration in the financing. For a sensitivity analysis, see also the section on liquidity and financing risk in this note. Lending to subsidiaries in foreign currency is normally financed in SEK, which is converted to the subsidiary's currency through swaps. Interest rate swaps in USD are used mainly for interest risk management in the leasing portfolio, where the interest rate risk is fully matched.

The pension liability, the present value of future pension obligations, is the largest interest rate risk due to the liability's long duration; see also the Saab Pension Fund section of this note.

Liquidity and financing risks

Liquidity and financing risk refers to the risk that the company will not be able to meet its payment obligations due to insufficient liquidity or difficulty raising external loans on acceptable terms.

According to the Group Treasury Policy, Saab must always maintain unutilised credit facilities or liquid assets corresponding to the higher of (but not less than MSEK 3,000, adjusted for loans with maturity date within 12 months):

- 10 per cent of sales (total sales)
- 50 per cent of outstanding on-demand guarantees for the three largest commitments

NOTE 41, CONT.

Liquidity and financing risks are minimised by diversifying financing sources and maturities.

Saab's policy is to insure on-demand guarantees for major projects against unauthorised use. This applies to contracts where the counterparty is classified as a developing country according to the definition of the Export Credits Guarantee Board (EKN). Insurance can be obtained from state guarantee institutions or the private insurance market.

Saab has access to the following credit facilities:

Loan facilities MSEK	Facility	Utilised	Available
Club loan (matures 2016)	4,000	-	4,000
Total confirmed credit facilities	4,000	-	4,000
Commercial paper	5,000	-	5,000
Medium Term Notes (MTN)	3,000	1,100	1,900
Receivables financing	1,515	852	663
Total loan programmes	9,515	1,952	7,563
Total loan facilities	13,515	1,952	11,563

The club loan is a credit facility with an equivalent value of MSEK 4,000 evenly divided between eight banks and expiring in 2016. No financial covenants are attached to the club loan or the other credit facilities.

A commercial paper programme with a limit of MSEK 5,000 is available as well. Neither the commercial paper programme nor the club loan was used in 2012.

In 2009, Saab established a Medium Term Note (MTN) programme with a limit of MSEK 3,000 or an equivalent value in EUR. The MTN programme provides access to financing for up to 15 years, which is an element in diversifying loan maturities.

Net liquidity

Net liquidity excluding interest-bearing receivables and provisions for pensions amounted to MSEK 3,837 (4,735) on 31 December 2012. Liquidity varied during the year, and surplus liquidity was placed as per the Group Treasury Policy. At year-end, placements in interest-bearing securities and bank deposits amounted to MSEK 4,825 (5,638).

Net liquidity

MSEK	Note	31-12-2012	31-12-2011
Assets			
Liquid assets	31	1,616	1,918
Short-term investments	25	3,963	4,555
Total liquid investments		5,579	6,473
Short-term interest-bearing receivables	27	326	368
Long-term interest-bearing receivables	27	109	99
Long-term interest-bearing financial investments	25	144	143
Total interest-bearing assets		6,158	7,083
Liabilities			
Short-term interest-bearing liabilities	35	1,637	520
Long-term interest-bearing liabilities	35	105	1,218
Provisions for pensions	37	11	12
Total interest-bearing liabilities		1,753	1,750
Net liquidity		4,405	5,333

As of 31 December 2012, net liquidity amounted to MSEK 4,405 (5,333) with an average during the year of MSEK 4,844 (4,560). The net of interest income received and interest expenses paid amounted to MSEK 117 (-70). Of the liquid

investments of MSEK 5,579 (6,473), MSEK 10 (10) was pledged as trading security to OMX. The sensitivity analysis below shows the effect on income of an increase in market interest rates and the credit margin of 1 basis point for Saab's investments.

Placements in interest-bearing securities and bank deposits**Sensitivity analysis of financial risk**

MSEK Maturities	Fixed interest	Effect of market interest rate, 1%	Tied-up capital	Effect of credit spread, 1%	Effect on financial costs
1 year	2,788	28	2,485	25	53
2 years	-203	-2	100	1	-1
3 years	880	9	880	9	18
4 years	1,170	11	1,170	11	22
5 years and forward	-	-	-	-	-
Total	4,635	46	4,635	46	92
Adjustment ¹⁾	190	-	-	-	-
Total	4,825	-	-	-	-

1) Adjustment of nominal value compared to book value due to market valuation at a premium or discount.

Current interest-bearing liabilities mainly consist of MTNs in issue of MSEK 1,100 that was reported as a long-term interest-bearing liability in 2011 and liabilities to joint ventures of MSEK 378 (449). Long-term interest-bearing liabilities amount to MSEK 105 (1,218). Of the long-term interest-bearing liabilities, MSEK 24 (1,128) matures within 1-5 years and MSEK 81 (90) in more than 5 years.

The maturity structure of liabilities to credit institutions is indicated in the tied-up capital column of the "Sensitivity analysis of financial risk" table. The volume of tied-up capital includes interest rate swaps. The interest rate risk in the loans given a 1 basis point parallel shift in the yield curve was MSEK 20 (21) as of 31 December 2012. The sensitivity analysis below shows the impact on results of an increase in market interest rates and an equally large increase in the credit margin of 1 basis point for Saab's refinancing of credits.

Financing (refers to utilised credit facilities)**Sensitivity analysis of financial risk**

MSEK Maturities	Fixed interest	Effect of market interest rate, 1%	Tied-up capital	Effect of credit spread, 1%	Effect on financial costs
1 year	1,702	17	1,952	20	37
2 years	150	2	-	-	2
3 years	100	1	-	-	1
4 years	-	-	-	-	-
5 years and forward	-	-	-	-	-
Total	1,952	20	1,952	20	40

Commodity risks

Price risks are divided into two parts:

- Commodity price risk refers to the risk that purchasing costs for material will rise.
- Electricity price risk refers to the risk that Saab could be negatively affected by changes in electricity prices.

According to the Group's policy, commodity risk is minimised and managed primarily through contract clauses with customers/suppliers. To minimise the risk to Saab's operating margin, future electricity consumption is hedged. This is done by hedging projected consumption according to a model where 100 per cent of the next quarter's consumption is hedged. The hedging level then drops on a straight-line basis to 0 per cent in quarter 13. Swedish units consume around 142 (156) GWh per year with a spot price risk of MSEK 1.4 (1.6) per every time the price of electricity changes by SEK 0.01. Electricity

NOTE 41, CONT.

directives are managed through a discretionary management mandate, under which the manager has the mandate to accept risks in relation to benchmarks (hedging strategy) at the equivalent of MSEK 1 (1) expressed in var. The market value of electricity derivatives as of year-end was MSEK -13 (-15). After the introduction of additional price areas in Sweden on 1 November 2011, sto was re-named se3. Since 1 January 2010, electricity derivatives are used as cash flow hedges for the Stockholm price area (se3). Inefficiency affecting net income for the year amounted to MSEK -3 (1).

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

According to the Group's policy, commercial credit risks are identified and actively managed on a case-by-case basis. Credit risks that arise in customer contracts are managed by utilising available banking, insurance or export credit institutions. According to the policy, credit risks that arise through advances paid to suppliers are managed by always maintaining bank-guaranteed security for any advances. Commercial credit risks consist of outstanding accounts receivable and advances paid to suppliers.

Accounts receivable

On 31 December 2012, the Group's outstanding accounts receivable amounted to MSEK 3,454 (3,153). The Receivables Financing Programme reduced accounts receivable at year-end by 852 (872). Defence-related sales accounted for 82 per cent (84) of total sales, where the counterparties in most accounts receivable are nations with high creditworthiness. The Group's receivables are mainly in the EU, which accounted for 56 per cent (48) of the total. Where counterparties' creditworthiness is deemed unsatisfactory, bank or insurance guarantees or guarantees from EKN are secured.

In connection with cash transactions, Saab generally requires that a letter of credit is opened in its name to ensure that payment is received.

Write-downs of accounts receivable amounted to MSEK 13 (19), corresponding to 0.3 per cent (0.5) of total accounts receivable. Write-downs of accounts receivable have changed as follows.

MSEK	2012	2011
Write-downs, 1 January	-19	-22
Write-downs for calculated losses	-5	-5
Reversal of previous write-downs	1	3
Actual credit losses	10	5
Write-downs, 31 December	-13	-19

The following table shows an age analysis of the Group's overdue receivables:

MSEK	31-12-2012	31-12-2011
<30 days	412	221
30 to 90 days	169	393
91 to 180 days	196	303
>181 days	124	125
Accounts receivable overdue	901	1,042
Accounts receivable not overdue	2,553	2,111
Total accounts receivable	3,454	3,153

Since accounts receivable are largely secured via bank or insurance guarantees or are attributable to states, the commercial credit risk is low despite overdue receivables.

Advances paid to suppliers

Advances paid to suppliers constitute a credit risk, since the counterparty's services have not been fully rendered. As of 31 December 2012, the Group had paid its suppliers advances of MSEK 89 (139). As the Group's policy is to maintain bank-guaranteed security for any advances it pays, the commercial supplier credit risk is considered low.

Financial credit risks

Financial credit risk consists of exposures to banks 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 A 3 from Moody's
- Assign each financial counterparty a credit limit based on its long-term credit rating
- Enter into ISDA master agreements with financial counterparties to net the positive and negative market values of outstanding derivatives

Credit risk is calculated on established and anticipated risks pursuant to the recommendations of the Bank of International Settlements (BIS I). On 31 December 2012, counterparty risks amounted to MSEK 5,356 (5,859), of which deposits with banks, mortgage institutions, companies and the Swedish state totalled MSEK 4,916 (5,651).

Trading

The Board has given Saab Treasury a risk mandate for trading in currency and money market instruments. During the year, MSEK 15 was allocated to trading expressed according to var. If the cumulative result for the year is negative, the mandate is reduced correspondingly. In 2012, trading income was MSEK 31 (32), which is reported as other operating income. The average utilised risk mandate (var) during the year was MSEK 3 (3).

Hedge accounting

Hedge accounting to fair value is applied to foreign exchange contracts and currency swaps. The market value of currency derivatives accounted for as fair value hedges and the market value of hedged items are indicated in the table below. For information on the impact on net income for the year of gains and losses on derivatives accounted for as fair value hedges, see Note 6, Other operating expenses.

Hedge accounting to fair value, MSEK	2012	2011
Foreign currency risk in order backlog (hedged item)	-13	-13
Currency derivatives (hedging instrument)	13	13

Certain forward exchange contracts and currency swaps (hedge instruments) entered into to hedge future receipts and disbursements against currency risks are accounted for according to the rules for cash flow hedging. These cash flow hedges relate principally to contractual sales volumes.

Derivatives that protect future receipts and disbursements 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 profit or loss, at which point the cumulative changes in value of the hedging instrument are transferred to profit or loss to meet and match the effects on earnings of the hedge transaction. The hedge reserve before tax amounted to MSEK 681 (621), of which the unrealised value of derivatives was MSEK 235 (-78) and the realised effects arising from rollovers of derivatives was MSEK 446 (699).

The change in the hedge reserve in 2012 of MSEK 60 consists of a reversal to profit or loss of MSEK 15, the change in the value of existing derivatives of MSEK 241, the market value of hedges obtained during the year of MSEK 61, and the change that arose due to the extension of derivatives of MSEK -257. 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 -3 (2).

NOTE 41, CONT.

Valuation methods for financial assets and liabilities

The fair value of listed financial assets is determined using market prices. Saab also applies various valuation methods to determine the fair value of financial assets that are traded on an inactive market or are unlisted holdings. These valuation methods are based on the valuation of similar instruments, discounted cash flows or customary valuation methods such as Black Scholes.

The following instruments were valued at fair value according to listed (unadjusted) prices on an active market on the closing date (Level 1):

- Bonds
- Electricity derivatives
- Interest derivatives

The following instruments were valued at fair value according to accepted valuation models based on observable market data (Level 2):

- **Forward exchange contracts:** Future payment flows in each currency are discounted by current market rates to the valuation day and valued to SEK at year-end exchange rates
- **Options:** The Black-Scholes option pricing model is used in the market valuation of all options
- **Interest swaps:** Future variable interest rates are calculated with the help of current forward rates. These implicit interest payments are discounted on the valuation date using current market rates. The market value of interest rate swaps is obtained by contrasting the discounted variable interest payments with the discounted present value of fixed interest payments

Unlisted shares and participations: Valued according to accepted principles; e.g. for venture capital firms (Level 3).

As of 31 December 2012, the Group had the following financial assets and liabilities at fair value:

Assets at fair value

MSEK	2012	Level 1	Level 2	Level 3
Bonds and interest-bearing securities	3,963	3,963	-	-
Forward exchange contracts	486	-	486	-
Currency options	24	-	24	-
Interest rate swaps	1	-	1	-
Electricity derivatives	3	3	-	-
Shares and participations	49	-	-	49
Total	4,526	3,966	511	49

Liabilities at fair value

MSEK	2012	Level 1	Level 2	Level 3
Forward exchange contracts	198	-	198	-
Currency options	15	-	15	-
Interest rate swaps	24	-	24	-
Electricity derivatives	17	17	-	-
Total	254	17	237	-

Pension fund

The Saab Pension Fund was established in 2006 to secure the main part of the Group's pension obligation and is not consolidated in the Group.

The fund has a long-term real yield requirement of 3 per cent per year. The investment policy requires an asset distribution of a maximum of 50 per cent equities/alternative investments (hedge funds) and 50-100 per cent interest-bearing instruments. 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, 50 per cent (53) was invested in interest-bearing assets and the remaining 50 per cent (47) in equities and alternative investments. The market value of the fund's assets as of 31 December 2012 was MSEK 4,346 (4,050) and the annual return was 8 per cent (0). In 2012, the fund was capitalised by MSEK 0 (105) and MSEK 2 (3) in refunds were paid. The table below shows the solvency margin for the pension fund.

MSEK	31-12-2012	31-12-2011	31-12-2010	31-12-2009
Fair value of assets under management	4,346	4,050	3,969	3,609
Present value of defined-benefit obligations ¹⁾	6,485	5,866	4,675	5,002
Solvency margin	67%	69%	85%	72%
Pension obligation according to PRI	4,615	4,489	4,042	3,844
Solvency margin	94%	90%	98%	94%

1) Refers to the pension obligation that the assets under management are designed to cover.

NOTE 42 Assets Pledged and Contingent Liabilities

MSEK	Group		Parent Company	
	31-12-2012	31-12-2011	31-12-2012	31-12-2011
Assets pledged for own liabilities and provisions				
Chattel mortgages	-	-	-	-
Bonds and other securities	10	10	10	10
Other assets	110	-	-	-
Total	120	10	10	10
Contingent liabilities				
Guarantees to insurance company, FPG/PRI	92	90	92	90
Guarantees for Group companies' commitments to customers	-	-	4,067	5,336
Sureties for joint ventures	6	6	-	-
Sureties for associated companies	8	8	85	102
Total	106	104	4,244	5,528

Saab has an ongoing legal dispute with the Danish Defence Acquisition and Logistics Organization, Forsvarets Materieltjeneste (FMT). The Maritime and Commercial Court in Copenhagen issued a judgment dismissing the FMT's action against Saab. FMT has appealed the court's decision. FMT's counterclaim amounts to MDKK 250. Judgement in the Danish Supreme Court (Højesteret) is expected by the end of April 2013.

Saab has received a claim for alleged patent infringement in the United States. The process is at a very early stage and the claim is currently being evaluated. It cannot be ruled out that the claim could be substantial.

NOTE 42, CONT.

The table below shows the total sum of guarantees that do not represent contingent liabilities and a distribution by category and issuer.

MSEK	31-12-2012	per cent of total	31-12-2011	per cent of total
Parent Company guarantees	1,339	22	1,540	21
Bank guarantees	4,668	78	5,674	79
Total guarantees	6,007	100	7,214	100
Bank guarantees:				
On demand	3,974	85	5,014	88
Proprietary	694	15	660	12
Total bank guarantees	4,668	100	5,674	100
Type of guarantee:				
Advances	2,146	36	3,177	44
Completion	3,080	51	3,365	47
Milestone payments	-	-	-	-
Tenders, credits and other	781	13	672	9
Total guarantees	6,007	100	7,214	100

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 assets pledged and contingent liabilities.

NOTE 43 Transactions with Related Parties

The Group's financial agreements conform to market principles. In January 2012, Combitech AB, a wholly owned subsidiary of Saab AB, acquired Sörman Information AB. The largest shareholder in Sörman was Investor AB. In Saab's view, the purchase price corresponds to market value. Saab otherwise did not have any material transactions with Investor. Neither does Saab have any significant transactions with Board members or members of Group Management. For information on remuneration, see Note 37.

Of the Parent Company's sales, 4 per cent referred to sales to Group companies, while 16 per cent of the Parent Company's purchases were from Group companies.

Sales to and purchases from the Group's associated companies amounted to approximately MSEK 42 (26) and MSEK 72 (120), respectively.

NOTE 44 Group Companies

Significant Group company holdings

Group company	Group company's registered office, country	Ownership share, per cent	
		2012	2011
Combitech AB	Växjö, Sweden	100	100
HITT N.V.	The Netherlands	98.9	-
MEDAV GmbH	Germany	100	-
Saab Barracuda AB	Västervik, Sweden	100	100
Saab Barracuda LLC	USA	100	100
Saab Czech s.r.o.	Czech Republic	100	100
Saab Dynamics AB	Karlskoga, Sweden	100	100
Saab Danmark A/S	Denmark	100	100
Saab Grintek Defence (Pty) Ltd	South Africa	71	71
Saab Seaeeye Ltd	UK	100	100
Saab Sensis Corporation	USA	100	100
Saab Systems Oy	Finland	100	100
Saab Systems Pty Ltd	Australia	100	100

Parent Company

MSEK	2012	2011
Accumulated acquisition value		
Opening balance, 1 January	17,086	16,321
New issues/shareholders' contributions	27	566
Acquisitions	540	203
Sales and liquidations	-454	-23
Reclassifications	9	19
Closing balance, 31 December	17,208	17,086
Accumulated impairments		
Opening balance, 1 January	-10,679	-10,551
Impairments for the year	-47	-128
Closing balance, 31 December	-10,726	-10,679
Carrying amount, 31 December	6,482	6,407

Impairment reversals and impairments for the year are reported in the income statement on the line "Result from shares in Group companies."

NOTE 44, CONT.

Specification of Parent Company's holdings of shares in Group companies

Group company/Corp. ID no./Reg. office	31-12-2012		Carrying amount, MSEK
	No. of shares	Share, per cent	
Celsius AB, 556194-4652, Linköping	5,000	100.0%	144
Celsius Invest AB, 556164-6588, Stockholm	1,720,000	100.0%	155
Combitech AB, 556218-6790, Växjö	100,000	100.0%	1,014
EMC Services Elmiljöteknik AB, 556315-6636, Mölndal	2,000	100.0%	3
Fastighets AB Linköping Malmen 27, 556354-6349, Linköping	20,000	100.0%	4
Fastighets AB Odengatan Jönköping, 556378-6226, Järfälla	2,000	100.0%	-
FFV Ordnance AB, 556414-8194, Karlskoga	100,000	100.0%	10
HITT N.V., The Netherlands	-	98.9%	274
Kockums Holdings AB, 556036-4100, Linköping	48,000	100.0%	5
Lansen Försäkrings AB, 516401-8656, Linköping	500,000	100.0%	51
Linköping City Airport AB, 556366-8333, Linköping	5,000	100.0%	3
MEDAV GmbH, Germany	-	100.0%	236
Saab d.o.o., Slovenia	-	100.0%	-
Saab Aerospace Overseas AB, 556628-6448, Linköping	1,000	100.0%	-
Saab Aircraft Leasing Holdings AB, 556124-3170, Linköping	30,000	100.0%	1,500
Saab Barracuda AB, 556045-7391, Västervik	200,000	100.0%	91
Saab Czech s.r.o., Czech Republic	-	100.0%	24
Saab Danmark A/S, Denmark	-	100.0%	103
Saab Dynamics AB, 556264-6074, Karlskoga	500,000	100.0%	357
Saab India Technologies Private Limited, India	-	100.0%	-
Saab International AB, 556267-8994, Stockholm	50,000	100.0%	11
Saab Kenya Ltd, Kenya	-	100.0%	-
Saab Microwave Systems AB, 556028-1627, Mölndal	300,000	100.0%	49
Saab North America, Inc., USA	-	100.0%	1,141
Saab Precision Components AB, 556627-5003, Jönköping	2,000	100.0%	8
Saab Seaeeye Holdings Ltd, UK	-	100.0%	194
Saab South Africa (Pty) Ltd, South Africa	-	95.0%	443
Saab South East Asia Co., Ltd, Thailand	-	100.0%	12
Saab Surveillance Solutions AB, 556627-1929, Linköping	1,000	100.0%	1
Saab Surveillance Systems AB, 556577-4600, Järfälla	1,000	100.0%	-
Saab Systems Oy, Finland	-	100.0%	103
Saab Technologies Norway AS, Norway	-	100.0%	1
Saab Technologies UK Limited, UK	-	100.0%	-
Saab Training Systems AB, 556030-2746, Jönköping	150,000	100.0%	42
Saab Training Systems B.V., Netherlands	-	100.0%	6
Saab Training Systems GmbH, Germany	-	100.0%	3
Saab Ventures AB, 556757-5211, Linköping	1,000	100.0%	-
Dormant companies etc.	-	-	494
Carrying amount at year-end			6,482

NOTE 45 Untaxed Reserves

Parent Company	2012	2011
MSEK		
Tax allocation reserve:		
Opening balance, 1 January	350	-
Provision for the year	514	350
Closing balance, 31 December	864	350
Accumulated accelerated depreciation		
Buildings and land:		
Opening balance, 1 January	48	65
Under depreciation for the year	-16	-17
Closing balance, 31 December	32	48
Machinery and equipment:		
Opening balance, 1 January	397	437
Under depreciation for the year	-17	-40
Closing balance, 31 December	380	397
Total untaxed reserves, 31 December	1,276	795

NOTE 46 Statement of Cash Flows, Supplemental Information

The Group's operating cash flow and a reconciliation between operating cash flow and cash flow for the year are shown below. Operating cash flow differs in the following respect from the statement of cash flows on page 64:

- Investments in or sales of short-term investments and other interest-bearing financial investments as well as interest-bearing receivables are not included in investing activities

OPERATING CASH FLOW

Group	2012	2011
MSEK		
Operating activities		
Income after financial items	1,906	2,783
Transferred to pension fund	-	-132
Adjustments for items not affecting cash flow	1,179	141
Income tax paid	-574	-450
Cash flow from operating activities before changes in working capital	2,511	2,342
Working capital		
Inventories	-199	-243
Current receivables	707	-96
Advance payments from customers	-459	409
Other current liabilities	-1,701	610
Provisions	-509	-630
Change in working capital	-2,161	50
Cash flow from operating activities	350	2,392

NOTE 46, CONT.

Group		
MSEK	2012	2011
Investing activities		
Investments in intangible fixed assets	-343	-41
Investments in tangible fixed assets	-328	-325
Investments in lease assets	-1	-1
Sale of tangible fixed assets	10	23
Sale of lease assets	312	301
Investments in operations and associated companies, net effect on liquidity	-568	-1,135
Sale of subsidiaries and associated companies, net effect on liquidity	174	1,264
Investments in and sale of financial assets	-2	-1
Cash flow from investing activities excluding change in short-term investments and other interest-bearing financial assets	-746	85
Operating cash flow	-396	2,477

OPERATING CASH FLOW VS. CASH FLOW FOR THE YEAR IN STATEMENT OF CASH FLOWS

MSEK	2012	2011
Operating cash flow	-396	2,477
Investing activities – interest-bearing:		
Short-term investments	585	-2,967
Other financial investments and receivables	28	307
Financing activities:		
Repayment of loans	-19	-50
Dividend paid to the Parent Company's shareholders	-474	-367
Cash flow for the year	-276	-600

SUPPLEMENTAL INFORMATION ON STATEMENT OF CASH FLOWS

Liquid assets

Group		
MSEK	31-12-2012	31-12-2011
The following components are included in liquid assets:		
Cash and bank	622	681
Bank deposits	862	1,083
Funds in escrow account	131	139
Deposits on behalf of customers	1	15
Total according to the statement of financial position	1,616	1,918
Total according to statement of cash flows	1,616	1,918

Parent Company

MSEK	31-12-2012	31-12-2011
The following components are included in liquid assets:		
Cash and bank balances	87	154
Bank deposits	862	1,083
Total according to balance sheet	949	1,237
Total according to statement of cash flows	949	1,237

Interest paid and dividends received

MSEK	Group		Parent Company	
	2012	2011	2012	2011
Dividends received	2	55	291	226
Interest received	218	69	342	212
Interest paid	-101	-139	-169	-198
Total	119	-15	464	240

Adjustments for items not affecting in cash flow

MSEK	Group		Parent Company	
	2012	2011	2012	2011
Depreciation and amortisation	1,172	1,240	548	601
Impairments	17	21	-	-
Changes in the value of biological assets	-1	-6	-	-
Changes in the value of investment properties	1	12	-	-
Profit shares in associated companies	-27	12	-	-
Dividends from associated companies	2	50	-	-
Dividends and Group contributions from/to Group companies	-	-	-902	-1,547
Capital gains/losses from sales of Group companies, associated companies and other shares	-10	-1,169	-33	-181
Capital gains/losses on sales of tangible fixed assets	-1	-1	-	2
Impairment of shares and receivables	4	9	47	128
Provisions	-57	9	50	94
Provisions for pensions	176	-114	-150	278
Other	-97	78	43	-17
Total	1,179	141	-397	-642

Investments in operations and subsidiaries

Group		
MSEK	2012	2011
Acquired assets and liabilities		
Intangible fixed assets	631	1,007
Tangible fixed assets	7	286
Deferred tax assets	4	-
Inventories	62	63
Current receivables	254	325
Liquid assets	25	127
Total assets	983	1,808
Provisions	2	34
Deferred tax liability	56	38
Interest-bearing liabilities	47	102
Current liabilities	180	256
Total liabilities	285	430
Purchase price paid	593	1,158
Less: Liquid assets in acquired operations	-25	-127
Effect on the Group's liquid assets	568	1,031
Effect on the Group's net liquidity	521	929

NOTE 46, CONT.

Acquisitions in 2012 relate mainly to the Dutch company HITT N.V., the German company MEDAV GmbH, Sörman Intressenter AB (parent company of Sörman Information AB), Täby Displayteknik AB, and 70 per cent of the shares in the Norwegian company Bayes Risk Management AS. Acquisitions in 2011 relate to Sensis Corporation in the U.S., assets from Scandinavian Air Ambulance Holding and assets from the Czech company E-COM.

Acquisitions of associated companies

Group		
MSEK	2012	2011
Acquired assets and liabilities		
Financial fixed assets	-	104
Total assets	-	104
Purchase price paid	-	104
Effect on the Group's liquid assets	-	104

Acquisitions in 2011 primarily relate to 36.6 per cent in AVIA SATCOM Co. Ltd and shares in associated companies in the venture portfolio.

Sale of subsidiaries and associated companies

Group		
MSEK	2012	2011
Divested assets and liabilities		
Tangible fixed assets	190	11
Financial fixed assets	7	3
Current receivables	1	23
Assets held for sale	-	113
Liquid assets	-	8
Total assets	198	158
Current liabilities	-	8
Deferred tax liability	25	-
Total liabilities	25	8
Sales price	174	1,272
Purchase price received	174	1,272
Less: Liquid assets in divested operations	-	-8
Effect on the Groups net liquidity	174	1,264
whereof liquid assets	174	1,264

Divestments in 2012 relate to an investment property and the shares in Sörman Intressenter AB, parent company of Sörman Information AB. Divestments in 2011 relate to the shares in Grintek Ewation (Pty) Ltd, Denel Saab Aerostructures (Pty) Ltd, C3 Technologies AB and Image Systems AB.

NOTE 47 Information on Parent Company

Saab AB (publ) is a limited company registered in Sweden, with its registered office in Linköping. The Parent Company's shares are registered on the NASDAQ OMX Stockholm. The address of the head office is Saab AB, Box 12062, SE-102 22 Stockholm, Sweden.

The consolidated accounts for 2012 comprise the Parent Company and its Group companies, together referred to as the Group. The Group also includes the holdings in associated companies and joint ventures.

NOTE 48 Environmental Report**Operations subject to permit requirements 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 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 and of metals into waterways, the generation of industrial wastes and noise disturbing local surroundings. The operations subject to licensing predominantly entail manufacturing. The National Licensing Board for Environmental Protection granted the licence for aircraft manufacture in 1990. The supervisory authorities and the Environmental Court imposed additional terms for these operations in 2006 and 2007, respectively, against the backdrop of the EU's IPPC directive.

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 VOC emissions into the atmosphere and of metals into waterways. The National Licensing Board for Environmental Protection granted the licence in 1990.

With the exception of a few exceeded limits, Saab AB did not exceed any conditions in its permits or injunctions in 2012.

Operations subject to permit requirements in subsidiaries

The operations carried on by Linköping City 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 AB'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.

Saab Dynamics AB and Saab Bofors Test Center AB run operations in Karlskoga that are subject to licensing under the Environment Code. During the first six months of 2012, Saab Dynamics AB ran similar operations in Eskilstuna. In addition, Saab Barracuda AB runs operations subject to licensing in Gamleby.

The environmental impact from subsidiaries subject to licensing primarily consists of emissions of VOCs and emissions from aircraft into the atmosphere, emissions of metals and de-icing solvents into waterways, generation of industrial wastes and noise disturbing local surroundings.

In 2012, none of Saab's subsidiaries exceeded any conditions of their permits or injunctions.

Operations subject to notification requirements

Saab AB has operations in Arboga, Ljungbyhed, Malmslätt, Nyköping and Östersund which are subject to notification requirements pursuant to the Swedish Environment Code. Permits granted by the county boards in Arboga and Malmslätt in 1993 and 1994, respectively, still apply. The Group also has operations subject to notification requirements in the subsidiaries Saab Dynamics AB in Motala, Saab Training Systems AB in Huskvarna and Saab Precision Components AB in Jönköping. The environmental impact of these operations is extremely limited.

NOTE 49 Exchange Rates used in Financial Statements

Country			Year-end rate		Average rate	
			2012	2011	2012	2011
Australia	AUD	1	6.77	7.03	7.02	6.70
Denmark	DKK	100	115.52	120.33	116.96	121.26
Euro	EUR	1	8.62	8.94	8.71	9.03
Canada	CAD	1	6.55	6.78	6.78	6.57
Norway	NOK	100	116.72	115.05	116.41	115.87
Switzerland	CHF	1	7.13	7.36	7.22	7.35
UK	GBP	1	10.49	10.68	10.73	10.41
South Africa	ZAR	100	76.61	85.08	82.75	89.72
Czech Republic	CZK	100	34.36	34.64	34.64	36.76
USA	USD	1	6.52	6.92	6.78	6.50

NOTE 50 Definitions of Key Ratios**Capital employed**

Total capital less non-interest-bearing liabilities.

Capital turnover

Sales divided by average capital employed.

Cash flow from operating activities per share

Cash flow from operating activities divided by the average number of shares after dilution.

Earnings per share

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

EBITDA margin

Operating income before depreciation, amortisation and impairments less depreciation and impairments of lease aircrafts as a percentage of sales.

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.

Gross margin

Gross income as a percentage of sales.

Interest coverage ratio

Operating income plus financial income divided by financial expenses.

Net liquidity/net debt

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

Operating cash flow per share

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

Operating margin

Operating income as a percentage of sales.

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 4.50 per share, corresponding to a total dividend of MSEK 477. Unrestricted equity amounts to MSEK 4,531 in Saab AB and profit carried forward in the Group before the dividend paid amounts to MSEK 11,380.

Net income for the year attributable to Parent Company's shareholders amounted to MSEK 1,564 for the Group and MSEK 965 for the Parent Company.

After paying the dividend to the shareholders, the Group's equity/assets ratio amounts to 46.6 per cent, compared to the long-term objective of 30 per cent. Since the IPO in 1998, the equity/assets ratio has risen from 22 per cent to 47 per cent in 2012.

Saab's gross capital expenditure in 2012 amounted to MSEK 328, which is considered a good approximation of annual future investments in tangible fixed assets. Investments are also made in research and development, which in 2012 amounted to MSEK 1,798, of which MSEK 292 was capitalised in the balance sheet.

At year-end, Saab had a net cash position, which includes liquid assets, short-term investments and interest-bearing receivables less interest-bearing liabilities, including provisions for pensions, amounted to MSEK 4,405. Saab's ability to carry out its commitments is not 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

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	3,565,659,280
Net income for the year	964,946,957
Total	4,530,606,237

Be disposed as follows:

To the shareholders, a dividend of SEK 4.50 per share	476,688,731
Funds to be carried forward	4,053,917,507
Total	4,530,606,237

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	706,648,200
Retained earnings	4,053,917,507
Total	7,049,442,346

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 477 (474), or SEK 4.50 per share (4.50) be issued as a dividend. This has been calculated based on the amount of outstanding shares on 31 December 2012, of 105,930,829. Saab's equity/assets ratio is currently 47.5 per cent (41.1) and after the proposed disposition of earnings will be 46.6 per cent (40.2).

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, 15 February 2013

Marcus Wallenberg

Chairman

Johan Forssell

Board member

Sten Jakobsson

Board member

Per-Arne Sandström

Board member

Cecilia Stegö Chilò

Board member

Åke Svensson

Board member

Lena Treschow Torell

Board member

Joakim Westh

Board member

Catarina Carlqvist

Board member

Stefan Andersson

Board member

Conny Holm

Board member

Håkan Buskhe

President and Chief Executive Officer (CEO) and board member

Our audit report was submitted on 22 February 2013

PricewaterhouseCoopers AB

Håkan Malmström

Authorised Public Accountant

AUDITOR'S REPORT

To the annual meeting of the shareholders of Saab AB, corporate identity number 556036-0793

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Saab AB for the year 2012. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 44-122.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director 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.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

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 the parent company as of 31 December 2012 and of its financial performance and its cash flows 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 2012 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Saab AB for the year 2012.

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, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

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.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

We recommend to the annual 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.

Stockholm 22 February 2013

PricewaterhouseCoopers AB

Håkan Malmström

Authorised Public Accountant

CORPORATE GOVERNANCE REPORT

Introduction

Saab AB is a Swedish public limited liability company listed on NASDAQ OMX Stockholm.

Saab's corporate governance is based on Swedish legislation, primarily the Swedish Companies Act, the Swedish Annual Accounts Act, NASDAQ OMX Stockholm Rules for Issuers – which also includes the Swedish Code of Corporate Governance – and other relevant Swedish and foreign laws and guidelines.

Saab has a Code of Conduct with ethical guidelines in a number of areas for how the employees are expected to act in contacts with customers, business partners and in the society and with each other as colleagues. Saab's Code of Conduct is a part of the governance of Saab. For further information, please refer to page 36 of the Annual Report.

Swedish Code of Corporate Governance

The Saab shares are admitted to trading at NASDAQ OMX Stockholm and Saab must therefore follow good practices in the securities market, which includes an obligation to comply with the Swedish

Code of Corporate Governance ("the Code"). The Code is available at www.bolagsstyrning.se

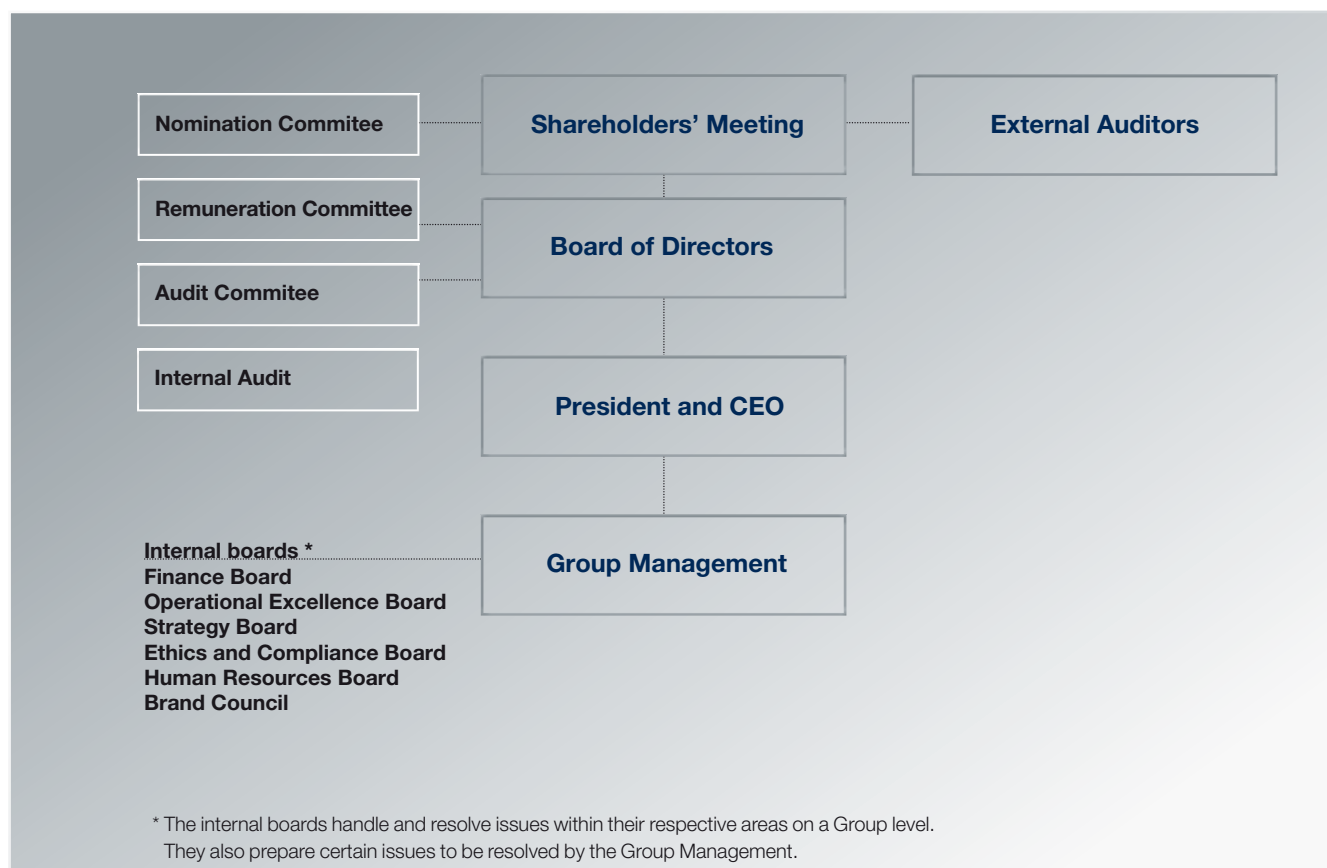
Saab applies the Code and strives to maintain a high standard in its corporate governance. This Corporate Governance Report is in accordance with the Annual Accounts Act and the Code, and describes how Saab applied the Code during the financial year 2012. Moreover, the Annual General Meeting 2012 was planned and carried out in accordance with the Code and the Annual General Meeting in 2013 will also be planned and carried out pursuant to the provisions of the Code. Saab's website has a special area for corporate governance issues, which is updated in accordance with the Code.

The Board annually issues a report on how the internal control of financial reporting is organised, which can be found at the end of this report.

This Corporate Governance Report has been reviewed by the company's auditor pursuant to the Annual Accounts Act, see the Auditor's Report attached to the Corporate Governance Report.

Saab has not deviated from the provisions of the Code during 2012 and hence does not report any deviations from the Code.

Organisation 2012



Shareholders' meeting and number of shares

Pursuant to the Swedish Companies Act, the Shareholders' Meeting is the highest decision-making body within a company. At a Shareholders' Meeting, the shareholders are given the possibility to exercise their voting rights. The Annual General Meeting shall be held within six months after the end of each financial year. At the Annual General Meeting, resolutions are made relating to matters such as the annual report, dividend, election of Board members, Board fees and auditors fees as well as adoption of principles for remuneration of senior executives and, when applicable, election of external auditor and other matters stipulated in the Companies Act. The Annual General Meeting of Saab was held on the 19 April 2012 in Stockholm. 461 shareholders were represented at the meeting, corresponding to approximately 63 per cent of the total voting rights in the company. This year the Annual General Meeting will be held on the 17 April 2013 in Stockholm. For further information please see page 135.

Saab's share capital amounted to SEK 1,746,405,504 on 31 December, 2012 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 OMX Stockholm on the large cap list. The series A shares are not listed. A round lot consists of 100 shares. All series A shares are owned by Investor AB.

Largest shareholders, 31 December 2012

According to SIS Ownership Service	Share of capital, %	Share of votes, % ¹⁾
Investor AB, Sweden	30.0	40.6
Wallenberg Foundations	8.7	7.7
Swedbank Robur Funds, Sweden	5.5	4.9
SHB Funds, Sweden	3.2	2.8
AFA Insurance, Sweden	3.1	2.8
Unionen, Sweden	2.7	2.4
SEB Funds, Sweden	2.3	2.0
Fourth AP Fund, Sweden	1.8	1.6
Nordea Funds	1.5	1.3
Länsförsäkringar Funds, Sweden	1.5	1.3
Total	60.3	67.4

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

At the end of December 2012, Saab held 3,219,515 own shares of series B shares, corresponding to approximately 2.9 per cent of the share capital. For additional information about the ownership structure, see pages 136-139. The Board of Directors has an authorisation from the Shareholders' Meeting to repurchase shares. See page 57 for further information.

Nomination Committee

According to the Nomination Committee process, which was adopted at the Annual General Meeting in 2011 and 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 in August 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 nomination committee process, the Nomination Committee shall provide proposals regarding the following issues, to be presented to the Annual General Meeting for resolution:

- the Chairman of the Shareholders' Meeting,
- the Board of Directors,
- the Chairman of the Board,
- the 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 to Saab's auditors.

Before the Annual General Meeting of Saab AB on 17 April 2013, it was announced through a press release on 12 October 2012 that, in addition to Chairman of the Board, Marcus Wallenberg, the following shareholder representatives had been appointed to Saab's 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 Insurance). Petra Hedengran is the Chairman of the Nomination Committee.

These persons represent in the aggregate approximately 53 per cent of the votes in Saab based on the ownership structure as of 31 August 2012.

The proposal of the Nomination Committee will be presented not later than in connection with the notice of the Annual General Meeting 2013.

Members of the Nomination Committee for Annual General Meeting 2013

Member	Representing	% of votes 31-08-2012	% of capital 31-08-2012
Petra Hedengran	Investor AB	39.54	30.03
Peter Wallenberg Jr	Knut and Alice Wallenberg Foundation	7.55	8.74
Jan Andersson	Swedbank Robur Funds	4.02	4.66
Anders Algotsson	AFA Insurance	2.38	2.75
Marcus Wallenberg	Chairman of the Board, Saab AB	-	-

The Board of Directors

Composition of the Board

According to Saab's Articles of Association, the Board of Directors shall, in addition to the employee representatives, consist of at least six and not more than twelve members. Members of the Board shall be elected each year by the Shareholders' Meeting. According to a resolution at the Annual General Meeting on April 19, 2012, Saab's Board of Directors shall consist of nine 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 19 April 2012, Håkan Buskhe, Johan Forssell, Sten Jakobsson, Per-Arne Sandström, Cecilia Stegö Chilö, Åke Svensson, Lena Treschow Torell, Marcus Wallenberg and Joakim Westh were re-elected.



Members of the Board, Saab AB.

Marcus Wallenberg was elected Chairman of the Board of Directors. Only Håkan Buskhe, President and CEO of Saab, is employed by the company,

Information on the remuneration to the members of the Board as resolved by the Annual General Meeting 2012 is set forth in the Annual Report, Note 37.

Members of the Board elected by the Shareholders' Meeting

Marcus Wallenberg	Cecilia Stegö Chilò
Håkan Buskhe	Åke Svensson
Johan Forssell	Lena Treschow Torell
Sten Jakobsson	Joakim Westh
Per-Arne Sandström	

Other significant professional commitments, work experience, etc. are set forth in the presentation of the Board of Directors. See pages 131–132.

Employee representatives

Regulars

Stefan Andersson
Catarina Carlqvist
Conny Holm

Deputies

Göran Gustavsson
Jan Kovacs
Nils Lindskog

Independence requirement

The following table 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 the management, as well as in relation to the company's major shareholders.

Composition and independence of the Board in 2012

Board Member	Elected	Independent of the company/management	Independent of major shareholders
Marcus Wallenberg	1992	Yes	No ¹⁾
Håkan Buskhe	2011	No ²⁾	Yes
Johan Forssell	2010	Yes	No ³⁾
Sten Jakobsson	2008	Yes	Yes
Per-Arne Sandström	2005	Yes	Yes
Cecilia Stegö Chilò	2010	Yes	Yes
Åke Svensson	2003	No ⁴⁾	Yes
Lena Treschow Torell	2005	Yes	No ⁵⁾
Joakim Westh	2010	Yes	Yes

1) Member of Investor AB's Board

2) President and CEO of Saab

3) Employed by Investor AB

4) Former President and CEO of Saab

5) Member of Investor AB's Board

Accordingly, the company fulfils the requirements of the Code that a majority of the Board Members appointed by the Shareholders' Meeting are independent of the company and the 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, six ordinary meetings shall normally be held each year, in addition to the statutory meeting. The Board may also meet whenever circumstances demand. During 2012, the Board held one statutory meeting, six ordinary meetings and two extraordinary meetings, totalling nine meetings.

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

The rules of procedure contain, i.a. provisions on the number of board meetings to be held, 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, as well as between the Board and the CEO. The instruction for the CEO sets out the CEO's duties and authority. The instruction also includes policies on investments, financing and reporting.

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

The Board of Directors' meetings follow a determined and pre-approved agenda. Prior to the meetings the Board Members receive documentation in support of the issues that are on the agenda. At each Board meeting, the CEO presents a Market and Operations Report. Financial reports are prepared monthly and submitted to the Board. The reports are presented at each Board meeting and before the quarterly reports and year-end report. Furthermore, the Board regularly reviews and considers investments, mergers and acquisitions, and divestments. In 2012, the Board of Directors has reviewed and adopted a budget and a business plan. The Board has also dur-

ing the year particularly focused on the company's strategy, follow-up on significant export opportunities and related marketing investments, as well as questions concerning risk exposures.

Committee work represents an important part of the Board's work. After meetings of the Audit and Remuneration Committees, the issues that have been handled are reported to the Board, and resolutions are adopted on issues where the committees have prepared matters for resolution by the Board.

Board of Directors' committee work*Audit Committee*

The Board of Directors has, in accordance with the principles set out in the Swedish Companies Act and the Code, appointed an Audit Committee consisting of three members. The work of the Audit Committee is mainly of a preparatory nature, i.e., it prepares matters for the ultimate resolution by the Board. However, the Audit Committee has certain limited decision-making power. The Audit Committee has e.g. established guidelines for services other than auditing that the company may procure from auditors.

Since the Annual General Meeting in April 2012, the Audit Committee has consisted of the following members: Per-Arne Sandström (Chairman of the Committee), Johan Forssell and Joakim Westh, of whom Per-Arne Sandström and Joakim Westh are independent of the company and the management as well as of the major shareholders. All members of the committee have accounting competence and auditing competence. The General Counsel, Annika Bärems, was Secretary to the Audit Committee during 2012.

The Audit Committee's assignment is set forth in the Board's rules of procedure. Among other things, the Audit Committee shall monitor the company's financial reporting, monitor the efficiency of the company's internal control, internal audit and risk control in respect of the financial reporting, keep itself informed about the audit of the annual

Attendance and Board remuneration, 2012

Name	Audit Committee	Remuneration Committee	Attendance		Fees kSEK			Total kSEK
			Board meetings ¹⁾	Committee meetings ²⁾	Board ³⁾	Audit Committee	Remuneration Committee	
Marcus Wallenberg		X	9	2	1,165		80	1,245
Håkan Buskhe			9					
Johan Forssell	X		9	5	450	100		550
Sten Jakobsson		X	9	1	480		80	560
Per-Arne Sandström	X		9	5	450	150		600
Cecilia Stegö Chilò			9		450			450
Åke Svensson			7		450			450
Lena Treschow Torell		X	9	2	450		135	585
Joakim Westh	X		9	5	450	100		550

1) Of a total of 9 meetings

2) Of a total of 5 meetings for Audit Committee and 2 meetings for Remuneration Committee

3) President and CEO Håkan Buskhe does not receive a fee

report and the group accounts, review and monitor the auditor's neutrality and independence, and assist the Nomination Committee in preparing proposals for the Shareholder Meeting's decision on election of auditors. The company's external auditor is co-opted to the meetings of the Audit Committee. During 2012, the Audit Committee focused particularly on the financial reporting, the budget, Saab's business plan, introduction of quarterly audits as well as questions concerning risk exposures.

The Audit Committee keeps minutes of its meetings, which are promptly distributed to the other members of the Board.

In 2012, the Committee held five meetings.

Remuneration Committee

The Board of Directors has in accordance with principles set out in the Code appointed a Remuneration Committee consisting of three members: Marcus Wallenberg, Sten Jakobsson and Lena Treschow Torell. Lena Treschow Torell is Chairman of the committee. All of the members are independent of the company and the management. The General Counsel, Annika Bärems, was secretary to the committee during 2012.

The Remuneration Committee's assignment is to prepare Board matters concerning principles for remuneration, remunerations and other terms of employment for the Group Management, monitor and evaluate programmes for variable remuneration for the Group Management, both ongoing and those that have ended during the year, and monitor and evaluate the application of the guidelines for remuneration for Group Management that the Annual General Meeting has adopted as well as the current remuneration structures and levels in the company. The Remuneration Committee shall also propose guidelines for remuneration of senior executives to be submitted to the Annual General Meeting following resolution by the Board of Directors. Matters concerning employment terms, compensation and other benefits for the CEO are prepared by the Remuneration Committee and adopted by the Board. It is the Remuneration Committee who is responsible for the interpretation and application of the guidelines of remuneration for senior executives. The Remuneration Committee has no decision-making powers of its own. During the year, the Remuneration Committee was particularly involved in a review of the guidelines of remuneration for senior executives as well as the long term incentive programme for senior executives and strategic key employees.

The Remuneration Committee keeps minutes of its meetings, which are promptly distributed to the other members of the Board. In 2012, the Committee held two meetings.

Evaluation

The Chairman of the Board annually performs an evaluation of the quality of the Board's work and possible improvements in order to develop the forms and efficiency of the Board work. The members fill out a questionnaire on their opinions of how well the Board is functioning. The result is then compared with previous years. The questionnaire consists of five parts covering the breadth of competence represented in the Board, the manner in which its work is performed, the Chairman, the Board's composition and the co-operative atmosphere. The purpose of the evaluation is to understand the Board Members' opinion about the Board's work. The results are then discussed by the Board. No external consultants are involved in the evaluation.

The Nomination Committee is also informed of the results of the evaluation in connection with its analysis, evaluation and appointment of Board members.

The Board continuously evaluates the CEO's work by monitoring business results in relation to established objectives. During 2012 the Board Members have also evaluated the CEO's work by responding to a questionnaire about the CEO within the areas of strategy, performance, organisation, and leadership.

President and CEO

The President and CEO of Saab, Håkan Buskhe, is also a Member of the Board. His significant professional commitments outside the company, work experience, etc. are set forth in the presentation of the Board of Directors and the Group Management, see pages 131 and 133. Håkan Buskhe does not own shares 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 can be found in the administration report.

Auditor

On behalf of the shareholders and in accordance with current laws and regulations, the external auditor examines the financial statements, group accounts, annual report and administration and management of the company by the Board of Directors and the CEO and also the Corporate Governance Report. In addition, the Half-Year Report as well as the Q3 interim report have been reviewed by the auditor. The auditor also presents an Auditor's Report to the Annual General Meeting.

The Shareholders' Meeting elects the auditors. The firm that was elected as new auditor by the Annual General Meeting 2011 is the registered accounting firm PricewaterhouseCoopers AB.

PricewaterhouseCoopers AB

- Elected in 2011 for the term 2011–2015
- Auditor in charge is Håkan Malmström
- Other audit assignments: Axel Johnson, Gambro, Karo Bio, NCC and Nordstjernan

PricewaterhouseCoopers AB is a member of PwC's global network with operations 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 experience in international business.

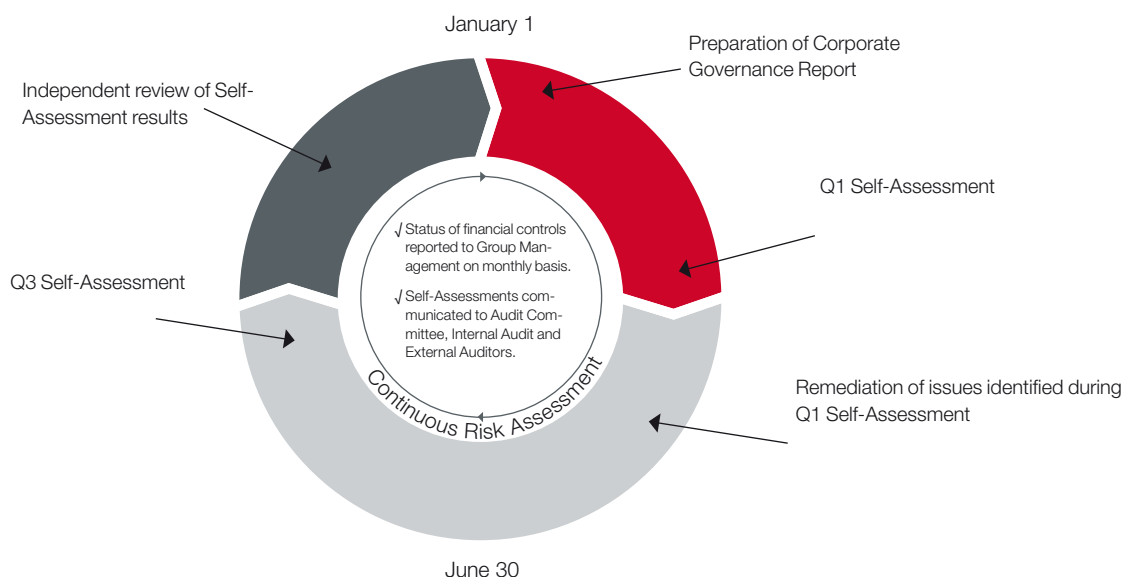
The Audit Committee is responsible for ensuring that the independent position of the auditor is maintained, i.e. by staying informed of ongoing consulting assignments. The Audit Committee has also established guidelines for the services other than auditing that the company may procure from its auditors.

Audit fees

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

PwC has during 2012 carried out services on behalf of the company in addition to their audit assignments, consisting of consultations closely associated with the audit, including accounting and tax issues.

The annual assessment process of internal financial controls



Auditors' fees for the Group, 2011-2012

MSEK	2012	2011
Audit assignments:		
PwC	15	15
Other	2	1
Other assignments:		
PwC	6	7

The Board's report on internal control of financial reporting

Under the provisions of the Swedish Companies Act and the Code, the Board is responsible for internal control. 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 documents the manner in which it ensures the quality of the financial reports and how it communicates with the company's auditor.

The Board ensures the quality of financial accounting through its Audit Committee, according to the report submitted above. The Audit Committee considers not only critical accounting questions and the financial reports presented by the company, but also matters of internal control, regulatory compliance, potential material uncertainty in reported values, post-statement events, changes in assessments and evaluations and other circumstances that may affect the quality of the financial statements. The auditor has participated in all meetings with the Audit Committee during 2012.

The entire Board reviews the interim reports before they are published.

The company's auditor attends the Board meeting at which the annual accounts are approved.

The Board has met with the auditor to discuss their review of the company for the financial year 2012. The Board has also met on one occasion with the auditor without the presence of the CEO or any other members of the Group Management.

Internal control over financial reporting

Saab's system of internal control is designed to assist the business in achieving its goals and managing associated risks. Internal control over financial reporting is a part of all internal control processes within Saab, the framework for which is developed by the Committee of Sponsoring Organisations of the Treadway Commission (COSO).

Internal control over financial reporting aims to provide reasonable assurance of the reliability of external financial reporting and to ensure that it is prepared in accordance with legislation, applicable accounting standards and other requirements for listed companies.

Control environment

Delegation of responsibilities is based on the Board's rules of procedure and a directive which sets forth the roles, responsibilities and activities of the Board and the CEO.

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

Risk assessment

Saab's operations are mainly characterised by the development, production and supply of technologically advanced hardware and software for customers around the world. The major part of sales are generated from countries outside of Sweden. As a rule, projects entail considerable sums of money, stretch over long periods of time and involve technological development or refinement of products.

Based on Saab's operations, the material risk areas in financial reporting are project accounting, acquisitions and goodwill, development costs, hedging and other financial transactions, leasing operations, taxes and accounting for pensions. In addition to business risks, the processes are also assessed on the basis of the risk of exposure to any improprieties.

Group Finance continuously coordinates an overall risk assessment of financial reporting. This process involves self-assessments by Group functions and business areas. The current risk assessment is reviewed with 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 communicated regularly to Saab's Audit Committee. Saab's risk assessment is also communicated regularly to Saab's external auditors.

Information, communication and control activities

Internal control within Saab is based on clearly defined areas of responsibility and authority, issued Group guidelines, processes and controls.

Uniform handling of financial reporting is assured by adopting and issuing Group guidelines approved by the CEO or by function managers appointed by the CEO. All Group directives are updated on an ongoing basis, are clearly communicated and are available on the internal website.

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 as regards financial reporting are managed through control structures within the business areas and Group functions and are based on Saab's minimum requirements for good internal control in significant processes.

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 operating reports, each business area's measures of profitability and financial position are consolidated to measure the Group's total profitability and financial position. Accounting managers and controllers are in regular contact with Group Finance concerning any questions related to finance and accounting.

To assist in evaluating internal control in each business area, Saab uses an annual self-assessment. In addition to the processes that form the basis of financial reporting, these assessments cover operating risks, reputational risks and compliance with laws, regulations and internal rules. This is also reported to the Audit Committee.

The Internal Audit department, part of the internal control structure, is a dedicated resource for independent review of the effectiveness of internal control processes. At the same time, Internal Audit supports locally-applied internal controls and the central controller staff. Together these serve as a resource for monitoring financial reporting routines. Internal Audit's assignments are initiated by the Audit Committee, Group Management and its members, and on its own initiative.

Activities in 2012

During 2012, risk self-assessments were conducted on a regular basis in the Swedish, and Australian operations. One independent evaluation was conducted on one occasion in both countries. Implementation of the self-assessment process was concluded in Saab's operations in Denmark in 2012 and implementation of this process was initiated in Saab's operations in South Africa and in the U.S.

Focus in 2013

In 2013 a minimum of two self-assessments will be performed in all Saab business areas and the countries where the process has been introduced. At least one independent evaluation will be conducted.

The self-assessment process will be finalised in the U.S. and South Africa in 2013. Implementation of this process will also be initiated in Saab's operations in Germany, the Czech Republic and Holland.

At the same time, improvements to existing control systems are continuously being made.

THE BOARD OF DIRECTORS



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
Bachelor of Science of Foreign Service

Lieutenant in Royal Swedish Naval Academy
Shares in Saab: 100,000

Other board commitments:

Chairman of SEB, Electrolux AB and LKAB
Board member of AstraZeneca PLC, Stora Enso Oyj, Investor AB, Temasek Holding Ltd and the Knut and Alice Wallenberg Foundation

Former employment and positions:

President and CEO, Investor AB
Director, Stora Feldmühle AG, Düsseldorf
Skandinaviska Enskilda Banken, Stockholm and London
Citicorp (Hong Kong)
Citibank N.A. (New York)



HÅKAN BUSKHE

Member of the Board since April 2011
President and Chief Executive Officer of Saab AB

Born 1963,
M.Sc., Licentiate of Engineering (Transportation & Logistics)
Employed 2010
Shares in Saab: 16,078

Other board commitments:

Board member of Vattenfall AB
Board member of the Association of Swedish Engineering Industries (Teknikföretagen)

Former employment and positions:

President and CEO of E.ON Nordic AB and E.ON Sverige AB
Executive Vice President of E.ON Sverige AB
Senior Vice President of E.ON Sverige AB
CEO of Schenker North/Board member of Schenker AG, CEO Land Operations CEO Schenker-BTL AB



JOHAN FORSELL

Member of The Board since 2010
Member of Saab's Audit Committee
Managing Director Investor AB, Head of Core Investments

Born 1971
M.Sc. in Finance, Stockholm School of Economics
Shares in Saab: 7,000

Other board commitments:

Board Member of Atlas Copco

Former employment and positions:

Head of Research Core Investments at Investor AB
Head of Capital Goods and Healthcare Sector at Investor AB
Head of Capital Goods Sector at Investor AB
Analyst Core Holdings at Investor AB



STEN JAKOBSSON

Member of the Board since 2008 and Deputy Chairman since 2010

Born 1949
M.Sc.

Shares in Saab: 3,490

Other board commitments:

Chairman of Power Wind Partners
Board member of LKAB
Board member of Stena Metall AB
Board member of FLSmidth A/S
Board member of Xylem Inc

Former employment and positions:

President and CEO, ABB Sweden
Executive Vice President, Asea Brown Boveri AB, Sweden
Business Area Manager, Business Area Cables
President, ABB Cables AB
President, Asea Cylinda
Production Manager, Asea Low Voltage Division
Asea central staff – Production
Asea trainee



PER-ARNE SANDSTRÖM

Member of the Board since 2005
Chairman of Saab's Audit Committee

Born 1947
Upper secondary engineering school

Shares in Saab: 3,000

Other board commitments:

Board Member of Telia Sonera AB

Former employment and positions:

Deputy CEO and COO of Telefonaktiebolaget L M Ericsson
President and CEO, Ericsson Inc., USA
Vice President and General Manager, GSM business unit, Ericsson Radio Systems AB
Executive Vice President and Managing Director, Cellular Systems, Ericsson Ltd, UK
Vice President and General Manager, GSM Western Europe, Ericsson Radio Systems AB
Vice President and General Manager, Airborne Radar Division, Ericsson Microwave Systems AB
Department Manager, Naval Command and Control Systems, Ericsson Microwave Systems AB

The shares held by Board members include any holdings by closely affiliated persons.

**CECILIA STEGÖ CHILÒ**

Member of the Board since 2010
Adviser to management of corporations and organisations
Born 1959
Studies in political science and economics
Shares in Saab: 600

Other board commitments:

Chairman of Fortum Värme AB
Chairman of Gotlands Bryggeri
Board member of Spendrups Bryggerier. Board member of Linköping University Holding AB
Board Member of the Expo Foundation

Former employment and positions:

Board member of AMF Fonder and Länsförsäkringar Liv,
Managing Director of the foundation Fritt Näringsliv. Head of the think tank Timbro. Cabinet member and Head of the Ministry of Culture
Editorial writer and foreign policy commentator at Svenska Dagbladet
Commentator at Sveriges Radio
Swedish Employer's Confederation Moderate Party.

**ÅKE SVENSSON**

Member of the Board since 2003
Director General of the Association of Swedish Engineering Industries
Born 1952
M.Sc.
Shares in Saab: 9,425

Other board commitments:

Board member of Parker Hannifin Corporation
Board member of the Swedish Export Credit Corporation
Member of IVA's Business Executives Council. Board member of VA (Public & Science). Board member of the Swedish Higher Education Authority
Board member of the Royal Swedish Academy of Engineering Sciences (IVA). Member of the Royal Swedish Academy of War Sciences

Former employment and positions:

President and CEO of Saab AB
General Manager, Business Area Saab Aerospace, Saab AB
General Manager, Business Unit Future Products and Technology, Saab AB. Project Manager for RBS15, Saab Dynamics AB.
Other positions in the Saab Group.

**LENA TRESCHOW TORELL**

Member of the Board since 2005
Chairman of Saab's Remuneration Committee
Professor in Physics
Born 1946
B.Sc. and Ph.D. in Physics
Shares in Saab: 5,400

Other board commitments:

Vice Chairman of ÅF AB
Board member of Investor AB, SKF AB and The Chalmers University of Technology Foundation. Chairman for the Foundation for Strategic Environmental Research (MISTRA).

Former employment and positions:

President and Chairman of the Royal Swedish Academy of Engineering Sciences (IVA). Board member of Getinge AB, Telefonaktiebolaget L M Ericsson, Gambro AB and Micronic Mydata AB. Chairman of European Council of Applied Sciences Technology and Engineering (Euro-CASE)
Director, Joint Research Centre, European Commission (Brussels). Vice President, Chalmers. Professor of Material Physics, Chalmers
Professor of Solid State Physics, Uppsala University

**JOAKIM WESTH**

Member of the Board since 2010
Member of Saab's Audit Committee

Born 1961
M.S.c.
Shares in Saab: 8,000

Other board commitments:

Chairman of EMA Technology AB
Board member of Rörvik Timber AB
Board member of Absolent AB
Board member of Swedish Match AB
Board member of Intrum Justitia AB

Former employment and positions:

Chairman of Absolent AB
Board member of Telelogic AB and VKR Holding AVS
Deputy Board member of Sony Ericsson Mobile Communications AB
Senior Vice President, Group function Strategy & Operational Excellence, Ericsson, and member of the Group Management Team, Ericsson
J Westh Företagsutveckling AB
Group Vice President and member of the Executive Management Group, Assa Abloy AB, Partner McKinsey & Co.Inc

**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: 1,567

**CATARINA CARLQVIST**

Member of the Board since 2007
Vice Chairman of the Local Swedish Association of Graduate Engineers, Saab Dynamics AB, Karlskoga
Born 1964
Luleå University of Technology
Shares in Saab: -

**CONNY HOLM**

Member of the Board since 2008 and Deputy Board member 1995 - 2008
President of the Local Trade Union IF Metall at Saab Electronic Defence Systems, Jönköping
Born 1947
Upper secondary engineering education
Shares in Saab: 927

Deputies, Employee Representatives**GÖRAN GUSTAVSSON**

Deputy Board member since 2008
President of the Local Trade Union IF Metall at Saab AB, Linköping
Born 1953
Shares in Saab: 1,115

JAN KOVACS

Deputy Board member since 2008
President of the Local Salaried Employees' Union Unionen at Saab AB, Linköping
Born 1960
Upper secondary technical school
Shares in Saab: 1,309

NILS LINDSKOG

Deputy Board member since 2007
Member of the Local Swedish Association of Graduate Engineers at Saab AB, Göteborg
Born 1955
M.S.E.E. from Chalmers University of Technology
Shares in Saab: 501

Auditor

PRICEWATERHOUSECOOPERS AB
HÅKAN MALMSTRÖM

The shares held by Board members include any holdings by closely affiliated persons.

GROUP MANAGEMENT



HÅKAN BUSKHE

President och Chief Executive Officer (CEO).
Member of the Board of Saab AB since April 2011
Born 1963, M.Sc., Licentiate of Engineering (Transportation and Logistics)
Employed 2010
Shares in Saab: 16,078

Other board commitments:

Board member of Vattenfall AB
Board member of the Association of Swedish Engineering Industries (Teknikföretagen)

Former employment and positions:

President and CEO E.ON Nordic AB och E.ON Sverige AB, Executive Vice President E.ON Sverige AB, Senior Vice President E.ON Sverige AB, CEO Schenker North and member of av Schenker AG:s Executive Management, Production Manager Falcon Brewery



LENA OLVING

Deputy Chief Executive Officer and Chief Operating Officer (COO)
Born 1956, M. Sc., Mechanical Engineering
Employed 2008
Shares in Saab: 6,926



LENNART SINDAHL

Executive Vice President och Head of Business Area Aeronautics
Born 1956, M.Sc.
Employed 1986
Shares in Saab: 5,861



GÖRGEN JOHANSSON

Senior Vice President och Head of Business Area Dynamics
Born 1964, MBA
Employed 2004
Shares in Saab: 1,433



MICAEL JOHANSSON

Senior Vice President och Head of Business Area Electronic Defence Systems
Born 1960, B.Sc.
Employed 1985
Shares in Saab: 2,354



GUNILLA FRANSSON

Senior Vice President och Head of Business Area Security and Defence Solutions
Born 1960, M.Sc. and PhD (Tec. Lic)
Employed 2008
Shares in Saab: 3,176



LARS-ERIK WIGE

Senior Vice President och Head of Business Area Support and Services
Born 1954
Employed 2001
Shares in Saab: 2,120



MAGNUS ÖRNBERG

Senior Vice President och Chief Financial Officer (CFO)
Born 1965, MBA
Employed 2012
Shares in Saab: 364



LENA ELIASSON

Senior Vice President och Head of Group Human Resources
Born 1967, M.Sc.
Employed 2012
Shares in Saab: 1,361



PETER SANDEHED

Senior Vice President och Head of Group Corporate Investments
Born 1952, MBA
Employed 1981
Shares in Saab: 15,252



ANNIKA BÅREMO

Senior Vice President och Head of Group Legal Affairs, General Counsel, Secretary of the Board of Directors
Born 1964, LLB
Employed 2012
Shares in Saab: 685



DAN JANGBLAD

Senior Vice President och Chief Strategy Officer (CSO), Head of Group Strategy
Born 1958, M.Sc.
Employed 2000
Shares in Saab: 10,095

In 2012, Group Management also included Tomas Samuelsson, Senior Vice President and Head of business area Dynamics, Jonas Hjelm, Executive Vice President and Chief Marketing Officer (CMO), Head of Group Marketing and Business Development, Lars Granlöf, Senior Vice President and Chief Financial Officer, and Mikael Grodzinsky, Senior Vice President and Head of Group Human Resources. Carina Broman, Senior Vice President and Head of Group Communication, was also member of Group Management in 2012 and left her position on 13 February 2013. Peter Sandehed, Senior Vice President and Head of Group Corporate Investments, will leave Group Management on 1 March 2013.

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE REPORT

To the Annual General Meeting of the shareholders of Saab AB

Corporate identity number 556036-0793

It is the Board of Directors who is responsible for the Corporate Governance Report for 2012 on pages 124–133 and for ensuring that it has been prepared in accordance with the Annual Accounts Act. We have read the Corporate Governance Report and based on his reading and our knowledge of the company and the group are of the opinion that we have a sufficient basis for our statement. This means that our statutory review of the Corporate Governance Report has a

different approach and is of a significantly lesser scope than an audit according to the International Standards on Auditing and accepted auditing standards in Sweden.

In our opinion, a Corporate Governance Report has been prepared and its statutory content is consistent with the Annual Report and the consolidated accounts.

Stockholm, 22 February 2013

PricewaterhouseCoopers AB

Håkan Malmström
Authorised Public Accountant

INFORMATION TO SHAREHOLDERS

Annual General Meeting

The Annual General Meeting will be held at 3:00 pm (cet) on Wednesday, 17 April 2013 at Annexet, Stockholm Globe Arenas, Entrance 2, Globentorget 10, Stockholm, Sweden.

Notification

Shareholders must notify the company of their intention to participate in the meeting not later than Thursday, 11 April 2013.

- by telephone +46 13 18 20 55
- by mail with separate invitation
- by mail: Saab Annual General Meeting, Box 7839, 103 98 Stockholm, Sweden
- 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 Thursday, 11 April 2013 are entitled to participate in the meeting.

Shareholders registered in the names of nominees through the trust department of a bank or a brokerage firm must temporarily reregister their shares in their own names to participate in the meeting. To ensure that this re-registration is recorded in the share register by Thursday, 11 April 2013, they must request re-registration with their nominees several business days in advance.

Dividend

The Board of Directors proposes a dividend of SEK 4.50 per share and 22 April 2013 as the record day for the dividend. With this record day, Euroclear Sweden AB is expected to distribute the dividend on 25 April 2013.

Distribution of the annual report

The annual report will be available on Saab's website, www.saabgroup.com, approximately four weeks prior to the Annual General Meeting on 17 April. It can also be ordered from Saab's head office, Investor Relations. A printed version of the annual report will be distributed to those who became shareholders in December 2012, January and February 2013, as well as other shareholders who request a printed version.

THE SAAB SHARE

Capital stock and number of shares

Saab's capital stock amounted to SEK 1,746,405,504 on 31 December 2012 and consisted 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 OMX Stockholm's Large Cap list. A round lot consists of 100 shares.

Saab's Series A shares are owned by Investor AB.

Saab's market capitalisation was SEK 14.7 billion at year-end 2012. The price of the Series B share decreased during the year by 5 per cent, compared to an increase of 12 per cent for the OMX index. The total return on Saab's Series B share – i.e., the dividend plus the change in the share price – has been 17 per cent over the last five years.

Trading volume and statistics

A total of 32,962,432 Series B shares (47,073,222) were traded on NASDAQ OMX Stockholm in 2012. The share's price reached a high of SEK 150.30 on 6 February and a low of SEK 101.00 on 18 May.

Ownership structure

Saab had 28,833 shareholders (29,056) as of year-end 2012. Swedish investors accounted for 74.0 per cent (73.6) of the capital stock and 77.5 per cent (76.5) of the votes.

Dividend and dividend policy

Saab's long-term dividend policy is to distribute 20–40 per cent of income after tax over a business cycle. For 2012, the Board of Directors proposes a dividend of SEK 4.50 (4.50) per share. This would correspond to 30 per cent (21) of net income for 2012.

Saab's Share Matching Plan

In April 2007, Saab's Annual General Meeting resolved to offer employees the opportunity to participate in a voluntary share matching plan where they can purchase Series B shares in Saab during a 12-month period. Purchases are made through deductions of between 1 and 5 per cent of the employee's monthly salary. 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.

The plan was introduced in autumn 2007 in Sweden and Norway. In 2008 it was expanded to include employees in Denmark, Germany, the UK, the U.S., Switzerland and Australia. South Africa was included in 2009, Finland in 2010 and thereafter the Czech Republic in 2011. India will be included in the Share Matching Plan 2012 starting in January 2013.

In April 2008, Saab's Annual General Meeting resolved to introduce a performance-based plan for senior executives and key employees entitling them to 2–5 matching shares depending on the category the employee belongs to. In addition to the requirement that the employee remain employed by Saab after three years, there is a requirement that earnings per share grow in the range of 5 to 15 per cent on average per year during the three-year period. The Annual General Meetings in 2009, 2010, 2011 and 2012 resolved to renew the share matching plan and performance share plan.

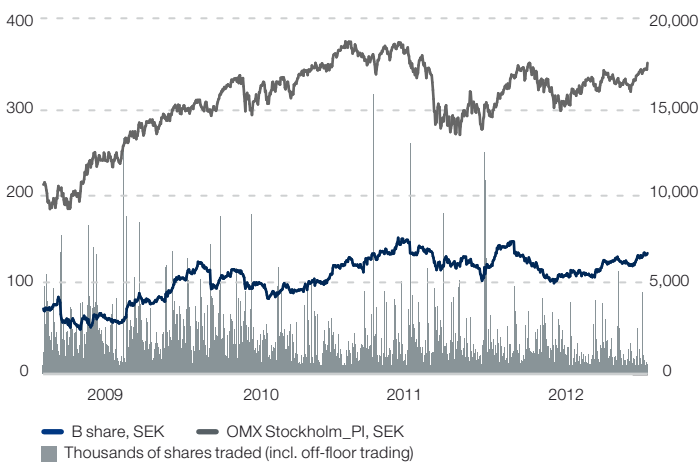
The 2011 share matching plan comprises all employees, including senior executives and key persons. The performance share plan for 2011 and 2012, which is directed to senior executives and key persons, entitles participants to 1–4 matching shares, depending on the category the employee belongs to.

In 2007, Saab repurchased 1 million shares, in 2008 and 2009 it repurchased 1,340,000 shares per year, and in 2010 it repurchased 838,131 shares to hedge the plans. In 2011 and 2012 no shares were purchased.

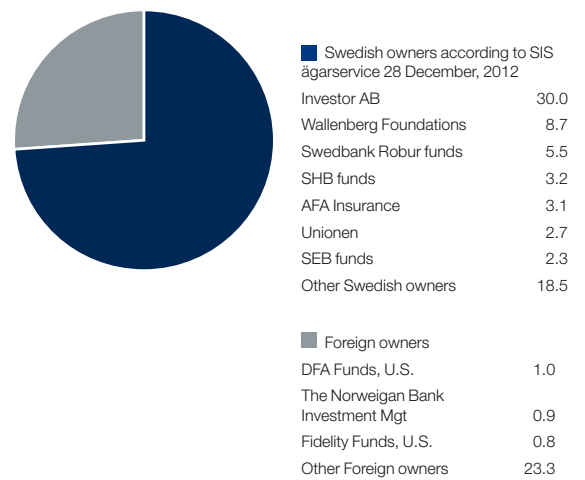
The Annual General Meeting on 19 April 2012 renewed the Board of Directors' mandate to repurchase up to 10 per cent of the Company's shares, of which 1,340,000 shares to hedge the share matching plan and performance share plan.

The purpose of the authorisation was to provide the Board with greater scope in working with the company's capital structure and enable acquisitions when considered appropriate, as well as to secure the Group's share matching plan and performance share plan. The mandate applied until the Annual General Meeting 2013. Repurchases may be effected over the stock exchange or through offerings to shareholders. During 2012, the Board has not decided to utilise its authorisation for repurchases and thus no shares were repurchased in 2012.

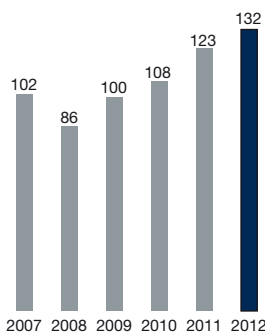
Saab B, 1 January 2009–31 December 2012



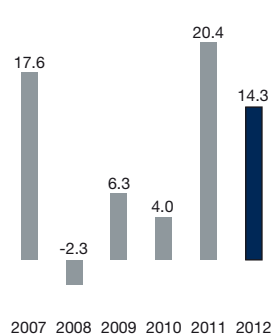
Share of capital, %



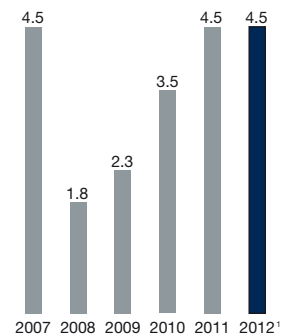
Equity per share, SEK



Earnings per share, SEK



Dividend per share, SEK



1) Proposed by the Board of Directors.

Data per Share 2007–2012

	2012	2011	2010	2009	2008	2007
Closing prices ¹⁾						
at year-end, SEK	135.10	142.40	123.00	118.00	71.50	129.50
high for the year, SEK	150.30	155.00	128.75	118.00	180.00	216.50
low for the year, SEK	101.00	104.20	84.10	50.50	51.00	116.50
Market capitalisation, MSEK ²⁾	14,746	15,543	13,425	12,879	7,804	14,135
Average daily turnover, no. of shares ¹⁾	131,850	186,060	192,507	234,069	255,782	240,390
Yield, %	3.3	3.2	2.8	1.9	2.4	3.5
Price/equity, %	102	116	114	118	83	128
P/E ratio	9.4	7.0	31.0	18.8	-32.2	7.4
P/EBIT, multiple	7.3	5.3	13.8	9.4	47.0	5.4
Sales						
before dilution, SEK	227.3	223.8	232.2	231.8	221.33	211.85
after full dilution, SEK	220.0	215.3	223.9	225.8	218.01	210.91
Net income for the year (attributable to Parent Company's shareholders)						
before dilution, SEK	14.81	21.19	4.12	6.45	-2.31	17.68
after full dilution, SEK	14.33	20.38	3.97	6.28	-2.31 ³⁾	17.60
Equity per share, SEK	132.02	122.94	107.66	99.91	86.49	101.53
Cash flow from operating activities						
before dilution, SEK	3.31	22.78	42.65	15.95	8.87	-12.40
after full dilution, SEK	3.21	21.91	41.11	15.54	8.74	-12.34
Dividend (2012 proposal), SEK	4.50	4.50	3.50	2.25	1.75	4.50
Dividend /net income, %	30	21	85	35	-	25
Total dividend, MSEK	477	474	367	237	187	491
Dividend growth, %	0.6	29	55	27	-	6
Number of shareholders	28,833	29,059	31,125	32,555	32,164	28,181
Share of foreign ownership, capital, %	26	26	27	40	40	39
Share of foreign ownership, votes, %	23	24	24	35	34	34
Average number of shares before dilution	105,632,911	104,982,315	105,217,786	106,335,553	107,515,049	108,668,700
Number of shares, excluding Treasury shares, at year-end	105,930,829	105,331,958	104,717,729	105,511,124	106,829,893	108,150,344
Number of shares after full dilution	109,150,344	109,150,344	109,150,344	109,150,344	109,150,344	109,150,344

1) Saab B on NASDAQ OMX Stockholm.

2) At full dilution

3) No dilution effect if net income is negative.

Shareholders

As of 31 December 2012 according to SIS Ågarservice	Thousands of shares	Per cent of share capital	Per cent of votes ¹⁾
Investor AB, Sweden	32,778	30.0	40.6
Wallenberg foundations, Sweden	9,469	8.7	7.7
Swedbank Robur Funds, Sweden	5,993	5.5	4.9
SHB Funds, Sweden	3,457	3.2	2.8
AFA Insurance, Sweden	3,425	3.1	2.8
Unionen, Sweden	2,901	2.7	2.4
SEB Funds, Sweden	2,515	2.3	2.0
Fourth AP-Fund, Sweden	1,968	1.8	1.6
Nordea Funds, Sweden	1,654	1.5	1.3
Länsförsäkringar Fund Management, Sweden	1,653	1.5	1.3
DFA Funds, U.S.	1,056	1.0	0.9
The Norwegian Bank Investment Management	998	0.9	0.8
RAM One Fund, Sweden	970	0.9	0.8
Foundation Asset Management, Sweden	927	0.8	0.8
Fidelity Funds, U.S.	915	0.8	0.7
Svolder AB, Sweden	750	0.7	0.6
SEB AB, Sweden	692	0.6	0.6
Evli Funds, Finland	648	0.6	0.5
SEB Trygg Liv, Sweden	472	0.4	0.4
Catella Funds, Sweden	467	0.4	0.4
Subtotal, 20 largest shareholders	73,708	67.4	73.9
Other Swedish shareholders	7,564	7.0	6.5
Other international shareholders	24,658	22.7	19.6
Repurchased shares	3,220	2.9	-
Total	109,150	100	100

1) Per cent of votes is calculated based on the number of shares, excluding Treasury shares, at year-end.

Distribution of shareholders

Number of shares	Number of share- holders	Per cent of share- holders	Number of shares	Per cent of share capital
1–500	24,150	83.8	2,824,690	2.6
501–1 000	2,667	9.2	2,041,633	1.9
1 001–5 000	1,631	5.6	2,852,476	2.6
5 001–10 000	110	0.4	844,950	0.8
10 001–15 000	46	0.2	563,864	0.5
15 001–20 000	22	0.1	394,601	0.3
20 001–	207	0.7	99,628,130	91.3
Total¹⁾	28,833	100	109,150,344	100.0

1) Including 3,219,515 repurchased B shares

Shares and votes, 31 December 2012

Share class	Number of shares	Per cent of total shares	Number of votes	Per cent of votes
Series A	1,907,123	1.7	19,071,230	15.5
Series B	107,243,221	98.3	104,023,706	84.5
Total¹⁾	109,150,344	100.0	123,094,936	100.0

1) The number of votes excludes 3,219,515 B shares which were repurchased to secure the Group's Share Matching Plan. The repurchased shares are kept as Treasury stock.

Share issues, etc.

		Increase in share capital, MSEK	Paid-in amount MSEK
2002 , Conversion ¹⁾	50,699 shares	0.8	4.6
2003 , Conversion ¹⁾	7,189 shares	0.1	0.7
2004 , Conversion ¹⁾	2,632,781 shares	42.1	239.6

1) 1998 convertible debenture loan

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QUARTERLY INFORMATION

MSEK	January–March				April–June			
	2012	Operating margin	2011	Operating margin	2012	Operating margin	2011	Operating margin
Sales								
Aeronautics	1,419		1,508		1,704		1,835	
Dynamics	1,035		962		1,359		1,084	
Electronic Defence Systems	1,181		1,035		1,108		1,094	
Security and Defence Solutions	1,323		1,303		1,354		1,272	
Support and Services	779		907		844		781	
Combitech	311		239		361		257	
Corporate	-		4		-		4	
Internal sales	-475		-506		-498		-466	
Total	5,573		5,452		6,232		5,861	
Operating income								
Aeronautics	78	5.5%	79	5.2%	84	4.9%	157	8.6%
Dynamics	108	10.4%	89	9.3%	175	12.9%	123	11.3%
Electronic Defence Systems	91	7.7%	36	3.5%	210	19.0%	181	16.5%
Security and Defence Solutions	60	4.5%	71	5.4%	89	6.6%	67	5.3%
Support and Services	67	8.6%	75	8.3%	94	11.1%	107	13.7%
Combitech	39	12.5%	28	11.7%	21	5.8%	20	7.8%
Corporate	-45	-	-10	-	53	-	42	-
Total	398	7.1%	368	6.7%	726	11.6%	697	11.9%
Net financial items	-30		16		-17		-149	
Income before taxes	368		384		709		548	
Net income for the period	265		277		538		418	
Attributable to Parent Company's shareholders	279		279		552		425	
Earnings per share after dilution	2.56		2.56		5.06		3.89	
No. of shares after dilution, thousands	109,150		109,150		109,150		109,150	

MSEK	July–September				October–December			
	2012	Operating margin	2011	Operating margin	2012	Operating margin	2011	Operating margin
Sales								
Aeronautics	1,275		1,268		1,678		1,740	
Dynamics	873		724		1,512		1,565	
Electronic Defence Systems	805		979		1,182		1,453	
Security and Defence Solutions	1,280		1,310		2,019		1,819	
Support and Services	697		786		1,091		954	
Combitech	299		200		439		304	
Corporate	-		-		-		-	
Internal sales	-330		-429		-615		-488	
Total	4,899		4,838		7,306		7,347	
Operating income								
Aeronautics	72	5.6%	22	1.7%	125	7.4%	74	4.3%
Dynamics	105	12.0%	60	8.3%	233	15.4%	212	13.5%
Electronic Defence Systems	-78	-9.7%	42	4.3%	-106	-9.0%	38	2.6%
Security and Defence Solutions	59	4.6%	109	8.3%	209	10.4%	147	8.1%
Support and Services	34	4.9%	79	10.1%	215	19.7%	165	17.3%
Combitech	18	6.0%	3	1.5%	44	10.0%	41	13.5%
Corporate	48	-	902	-	-70	-	-18	-
Total	258	5.3%	1,217	25.2%	650	8.9%	659	9.0%
Net financial items	-35		12		-44		-37	
Income before taxes	223		1,229		606		622	
Net income for the period	151		1,103		585		419	
Attributable to Parent Company's shareholders	149		1,108		584		413	
Earnings per share after dilution	1.37		10.15		5.35		3.78	
No. of shares after dilution, thousands	109,150		109,150		109,150		109,150	

MULTI-YEAR OVERVIEW

MSEK, unless otherwise indicated	2012	2011	2010	2009	2008	2007	2006	2005	2004 ⁴⁾
Order bookings	20,683	18,907	26,278	18,428	23,212	20,846	27,575	17,512	16,444
Order backlog at year-end	34,151	37,172	41,459	39,389	45,324	47,316	50,445	42,198	43,162
Sales	24,010	23,498	24,434	24,647	23,796	23,021	21,063	19,314	17,848
Foreign market sales, %	64	63	62	69	68	65	65	56	48
Defence sales, %	82	84	83	83	83	81	79	82	80
Operating income (EBIT)	2,032	2,941	975	1,374	166	2,607	1,745	1,652	1,853
Operating margin, %	8.5	12.5	4.0	5.6	0.7	11.3	8.3	8.6	10.4
Operating income before depreciation/amortisation and write-downs (EBITDA)	3,168	4,088	2,187	2,598	1,515	3,685	2,519	2,182	2,346
EBITDA margin, %	13.2	17.4	9.0	10.5	6.4	16.0	12.0	11.3	13.1
Income after financial items	1,906	2,783	776	976	-406	2,449	1,693	1,551	1,712
Net income for the year	1,539	2,217	454	699	-242	1,941	1,347	1,199	1,310
Total assets	29,679	31,799	29,278	30,430	32,890	33,801	32,771	30,594	27,509
of which advance payments, net	553	1,022	643	442	897	2,558	3,642	3,528	2,860
of which shareholders' equity	14,097	13,069	11,444	10,682	9,330	11,008	10,025	9,493	8,221
equity per share, SEK ¹⁾	132.02	122.94	107.66	99.91	86.49	101.53	89.80	84.10	74.89
Net liquidity/Net debt excluding interest-bearing receivables and after deduction of provisions for pensions	3,837	4,735	2,382	-1,631	-3,061	-2,802	-261	5,144	3,211
Net liquidity/ debt	4,405	5,333	3,291	-634	-1,693	-1,627	605	2,856	781
Cash flow from operating activities	350	2,392	4,487	1,696	954	-1,304	969	2,541	865
Operating cash flow	-396	2,477	4,349	1,447	659	-1,603	-1,900	2,645	325
Average capital employed	15,335	13,987	13,743	13,775	13,994	13,430	12,789	12,925	12,386
Return on capital employed, %	14.2	22.2	7.9	10.3	1.4	19.4	14.5	14.6	17.3
Return on equity, %	11.3	18.1	4.1	7.0	-2.4	18.5	13.8	13.5	16.7
Profit margin, %	9.10	13.21	4.47	5.78	0.82	11.4	8.83	9.73	11.74
Capital turnover rate, multiple	1.57	1.68	1.78	1.79	1.70	1.71	1.65	1.49	1.47
Equity/assets ratio, %	47.5	41.1	39.1	35.1	28.4	32.6	30.6	31.0	29.9
Interest coverage ratio, times	7.78	9.58	3.20	3.16	0.35	21.40	13.47	6.08	6.08
Earnings per share before dilution, SEK ²⁾	14.81	21.19	4.12	6.45	-2.31	17.68	11.91	10.89	11.78
Earnings per share after dilution, SEK ³⁾	14.33	20.38	3.97	6.28	-2.31	17.60	11.91	10.89	11.78
Dividend, SEK	4.50 ⁵⁾	4.50	3.50	2.25	1.75	4.50	4.25	4.00	3.75
Gross capital expenditures for tangible fixed assets	328	325	262	197	386	395	433	296	348
Research and development costs	5,946	5,116	5,008	4,820	4,141	4,523	3,537	3,546	3,929
Number of employees at year-end	13,968	13,068	12,536	13,159	13,294	13,757	13,577	12,830	11,936

1) Number of shares, excluding treasury shares, as of 31 December 2012: 105,930,829; 2011: 105,331,958; 2010: 104,717,729; 2009: 105,511,124; 2008: 106,829,893; 2007: 108,150,344 and 2006/2005/2004: 109,150,344.

2) Average number of shares 2012: 105,868,651; 2011: 105,214,551; 2010: 105,217,786; 2009: 106,335,553; 2008: 107,515,049; 2007: 108,668,700; 2006/2005: 109,150,344 and 2004: 108,234,126.

3) Average number of shares 2012/2011/2010/2009: 109,150,344; 2008: 107,515,049; 2007/2006/2005: 109,150,344; 2004: 108,234,126. Conversion of debenture loan concluded 15 July 2004.

4) Restated according to IFRS.

5) 2012 Board of Directors proposal.

Financial Information 2013

Annual General Meeting 2013
Interim Report January–March 2013
Interim Report January–June 2013
Interim Report January–September 2013

17 April
25 April
19 July
29 October

Financial information can be ordered by Telephone +46 13 16 92 08 or accessed online at www.saabgroup.com

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GLOSSARY

AESA	Active Electronically Scanned Array	ILS	Instrument Landing System (Instrumentlandningssystem)
AEW&C	Airborne Early Warning & Control (Luftburet radar- och kontrollsystem)	LEDS	Land Electronic Defense System
AMB	Agile Multi-Beam	LFV	Board of Civil Aviation (Luftfartsverket)
ATM	Air Traffic Management (Flygtrafikledning)	MidCAS	Mid Air Collision Avoidance System
ASD	Aerospace and Defence Industry Association	MMRCA	Medium Multi-Role Combat Aircraft
BOL	High capacity counter measure dispenser for chaff or flares (Högkapacitets motmedelsbehållare för remsor eller nödraketer)	NATO	North Atlantic Treaty Organization
C4I	Command, control, communications, computers and Intelligence (Kommunikations- och ledningssystem)	NGO	Non-Governmental Organization
C4ISR	Command, control, communications, computers, intelligence and surveillance and reconnaissance (Övervaknings-, kommunikations- och ledningssystem)	NLAW	Next Generation Light Anti-tank Weapon
CISB	Swedish-Brazilian Centre for Research and Innovation (Svensk-brasilianskt forsknings- och innovationscenter)	OECD	Organisation for Economic Co-operation and Development (Organisationen för ekonomiskt samarbete och utveckling)
EDA	European Defence Agency	PPP (OPS)	Public-Private Partnership (Offentlig-Privat Samverkan)
ETPS	Empire Test Pilot's School	RAKEL	Sweden's national communication system for collaboration and management (Sveriges nationella kommunikations-system för samverkan och ledning)
FMV	Försvarets Materielverk	RT	Remote Tower (Flygledning på distans)
FN	Förenta Nationerna	RTAF	Royal Thai Air Force
FoU	Forskning och Utveckling	SAFE	Situation Awareness for Enhanced Security
GIS	Geographic Information Systems (Geografiska informationssystem)	SESAR	Single European Sky ATM Research
HOTAS	Hands On Throttle And Stick	SIPRI	Stockholm International Peace Research Institute (Stockholms internationella fredsforskningsinstitut)
ICT	Information and communications technology (Informations- och kommunikationsteknologi)	SITC	Saab India Technology Centre
IDAS	Integrated self-defence for airborne platforms	STRiC	Operations Room and Air Surveillance (Luftbevaknings- och stridsledningcentral)
IFBEC	Forum on Business Ethical Conduct	TUAV	Tactical Unmanned Aerial Vehicle (Taktiskt obemannat flygsystem)
		UCAV	Unmanned Combat Aerial Vehicle (Obemannat stridsflyg-system)
		WISE	Widely Integrated Systems Environment

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