



**SAAB**

ANNUAL REPORT 2013

**ADVANTAGE SAAB:  
INNOVATIVE AND  
EFFICIENT SOLUTIONS**



# CAPACITY TO MANAGE THE BENEFITS OF A STRONG START

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.

Since then we have been a key development partner to the Swedish Defence Materiel Administration (FMV) and the Swedish Armed Forces and customers in other countries. Close co-operation with customers and rigorous customer requirements have contributed to our formation from the start.

As the world is marked by old and new threat scenarios and conflicts, deeper dependencies and new forms of co-operation 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.

The extraordinary technological challenges throughout the years have driven and developed Saab into a broad-based Swedish innovation powerhouse

and a strong competitor. World-class, high technology expertise has been developed and the list of ground-breaking innovations is long.

Saab is ahead of many competitors in developing a new generation defence and security solutions. This is particularly true with respect to Gripen, one of the most cost-effective multi-functional fighter systems on the market. Saab is also at the forefront in the area of radar systems, which is undergoing a technology shift.

Investments are made in prioritised product areas as Saab adjusts costs to prevailing market conditions. Our goal is to maintain and strengthen our position as one of the world's most cost-effective high-tech defence and security companies.

Strained national budgets and shrinking defence spending, particularly in the US and Europe, result in a tougher international competitive environment. Saab initiated comprehensive efficiency improvements during the year as part of its efforts to strengthen competitiveness, with an estimated effect of MSEK 500 by the close of 2014.

Saab will continue to develop cost-effective solutions, resulting in a safer society and long-term value creation.

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# RESULTS 2013

- Order bookings totalled MSEK 49,809 (20,683) and the order backlog at the end of December amounted to MSEK 59,870 (34,151). The increase is mainly due to the orders received from Swedish Defence Materiel Administration (FMV) regarding development and serial production of Gripen E, but also to several other significant orders received during the year. For example, Saab received an order for development and integration of combat management and radar systems on a new frigate for the Royal Thai Navy. Brazil placed orders for the upgrade programme of the airborne surveillance system Erieye and for the electromagnetic signal-sensor part of the Brazilian border security programme Sisfron. Meanwhile, market conditions are still challenging.
- Sales declined 1 per cent to MSEK 23,750 (24,010). Excluding acquisitions, sales declined 3 per cent. There was a lower activity level primarily within the business area Dynamics, which was compensated by growth in the business areas Aeronautics and Combitech.
- Gross income totalled MSEK 6,328 (7,208), corresponding to a gross margin of 26.6 per cent (30.0).
- Operating income totalled MSEK 1,345 (2,050), corresponding to an operating margin of 5.7 per cent (8.5), including a non-recurring item of MSEK 231 related to a lost legal dispute in Denmark regarding DACCIS. 2012 included a positive non-recurring item of MSEK 207 from the reversal of a potential earn-out liability. Adjusted for non-recurring items the operating margin was 6.6 per cent (7.7).
- Net income was MSEK 742 (1,560), with earnings per share after dilution of SEK 6.79 (14.52). During the fourth quarter Saab, in accordance with accounting standards, reclassified the value decline of the investment in the Indian company Pipavav from equity to financial net. The value decline was caused by a share price decline and a value decline of the Indian currency, rupee, against SEK, since the investment was done. The reclassification and write-down of the investment had a negative impact on the net income of MSEK 133.
- The operating cash flow amounted to MSEK -1,480 (-396). In the fourth quarter, operating cash flow amounted to MSEK 547 (264). The lower operating cash flow for the year

was mainly attributable to timing differences in milestone payments in large projects, investments and acquisitions, as well as a payment related to a legal dispute.

- Proposed dividend for 2013 is SEK 4.50 per share (4.50).

Key financial ratios (MSEK)	2013	2012
Order bookings	49,809	20,683
Order backlog at year-end	59,870	34,151
Sales	23,750	24,010
EBITDA	2,367	3,186
EBITDA margin, %	10.0	13.3
Operating income (EBIT)	1,345	2,050
Operating margin (EBIT margin), %	5.7	8.5
Income after financial items	979	2,003
Net income	742	1,560
Operating cash flow	-1,480	-396
Earnings per share, SEK (after dilution)	6.79	14.52
Operating cash flow per share, SEK (after dilution)	-13.56	-3.63
Dividend per share, SEK	4.50 <sup>1</sup>	4.50
Return on equity, %	6.3	12.8
Equity/Assets ratio, %	43.8	39.0
Total research and development (R&D) expenditures	6,543	5,946
Internally financed R&D	1,332	1,798
R&D share of sales	5.6	7.5
No. of employees at year-end	14,140	13,968
Share of women, %	22	22
Academic degree, %	57	55

<sup>1</sup>) Proposed by Board of Directors

## Significant events after the conclusion of the year:

No significant events have occurred after the conclusion of the year.

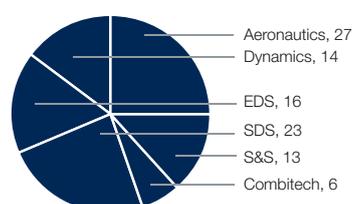
## Outlook statement 2014:

In 2014, we estimate that sales will be in line with 2013.

The operating margin in 2014, excluding material non-recurring items, is expected to be somewhat higher than the operating margin 2013, excluding material non-recurring items.

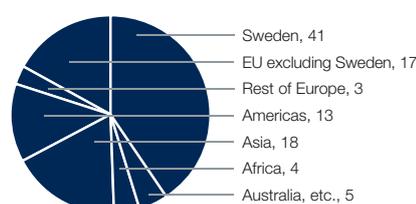
## Sales distribution 2013

### Business areas, %



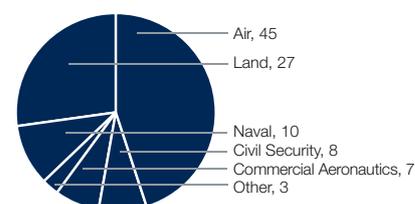
Read more on pages 2 and 45-50

### Geographic markets, %



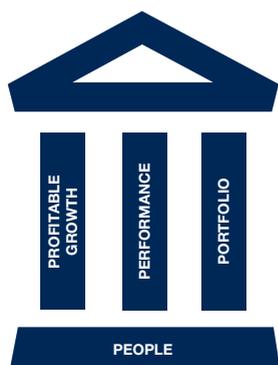
Read more on page 12-13

### Market segments, %



Read more on page 3

# SAAB HAS A CLEAR FOCUS



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

## Profitable growth

A local presence on prioritised markets enables us to strengthen the relationship with our customers. We focus on markets where we have a strong market position and on product areas with good growth opportunities.

## Performance

We have a long tradition of integrating high-tech systems and we reconsider and develop our tools, methods, and work procedures

continuously. This enables us to offer high performance and cost efficient solutions.

## Portfolio

The portfolio is focused on areas with significant competitive advantages and growth potential. Investments are made in product innovation, development of prioritised products and system integration expertise. Acquisition of businesses shall strengthen key areas and add to our local presence.

## People

Saab shall be an employer of choice in the global market. We are focusing on securing and developing the right skills for current and future needs. Motivated, driven and high performing employees are the backbone of our offering, efficiency and growth.

## Vision

It is a human right to feel safe.

## Mission

To make people safe by pushing intellectual and technological boundaries.

## Values

**Expertise:** We combine a strong history of knowledge with constant learning.

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

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

## Long-term financial goals and results

### Sales, SEK billion

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

In 2013 organic growth was -2 per cent (-2).



### Operating margin, %

Operating margin after depreciation and amortisation (EBIT) of at least 10 per cent – is formulated as an average over a business cycle.

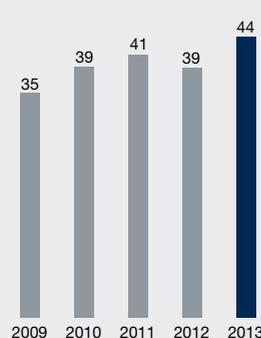
In 2013 the operating margin after depreciation/amortisation (EBIT) was 5.7 per cent (8.5).



### Equity/Assets ratio, %

Equity/assets ratio of over 30 per cent.

At year-end 2013 the equity/assets ratio was 43.8 per cent (39.0).



### Dividend, SEK

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

For 2013 the Board proposes a dividend of SEK 4.50 (4.50), representing 65 per cent (30) of net income.



<sup>1)</sup> Proposed by Board of Directors

# GROUNDBREAKING SUCCESSES FOR SAAB IN 2013

Saab received numerous recognitions in 2013 for its engineering expertise and multifunctional products, including an agreement with FMV for development of the next generation Gripen – the Gripen E – and a co-operation agreement with Boeing to develop new training aircraft for the US Air Force. The year ended with Brazil's selection of Gripen.

## **Contract with FMV regarding Gripen E**

In February the Swedish Defence Materiel Administration (FMV) and Saab entered into agreement regarding development and modification of the Gripen E for Sweden through the period 2013–2026 as well as a potential order for production of Gripen E for Switzerland.

## **Co-operation agreement with Boeing**

Saab and Boeing signed a co-operation agreement in December for the development of an entirely new, advanced and cost-efficient training aircraft with the purpose of participating in and winning the US Air Force's procurement as the first order.

## **Brazil chooses Gripen**

In December the Brazilian government announced its selection of Gripen as its future fighter aircraft. Negotiations with the Brazilian Air Force will follow. Brazil intends to purchase 36 Gripen NGs.

## **Erieye upgrades for Brazil**

Saab received two orders during the year from Brazilian Embraer Defense & Security for upgrades to the Erieye airborne radar system.

## **'Yes' vote from Swiss parliament**

The Swiss parliament confirmed in August and September its support for the purchase of Gripen E. In May 2014, the Swiss citizens will make the final decision in a referendum.

## **Command and control system for the Thai Navy**

Saab received an order in October for the development and integration of radar and combat management systems for a new Thai Navy frigate.

## **Contribute to NASA's aviation safety research**

The American National Aeronautics and Space Administration (NASA) awarded Saab a contract to develop scenario-based methods for verification and validation of future aviation concepts.

## **Signal sensors for border monitoring system**

Saab subsidiary MEDAV GmbH received an order in May for the electromagnetic signal sensor component of the Brazilian border monitoring programme Sisfron.

## **Upgrade for Australian submarines**

Saab and Australian Submarine Corporation signed an agreement at the end of the year for steering system upgrades and modernisation for the Australian Navy's Collins class submarines.

**Read more about significant events in 2013 in the administration report on page 56–57.**

# SAAB IN BRIEF

## A STRONG OFFERING

Offering world-leading solutions, products and services for military defence and civil security, Saab leads the market for combat fighters, traffic surveillance systems and tactical weapons. Saab's home markets are Sweden and the Nordic region, while Saab also holds a strong position in the European market. The new market area organisation that came into force 1 January 2013, will ensure the identification and fulfilment of customer needs in key growth markets such as Asia, the US and India.

### Business areas

#### Aeronautics

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, Airbus 380 wing spar and UAV03 Örn.

Share of Group sales

**27%**



#### Dynamics

Offers a product portfolio with ground combat weapons, missile systems, torpedoes, unmanned underwater vehicles and signature management systems for armed forces and unmanned underwater vehicles for the offshore industry.

*Examples of products:* Carl-Gustaf and RBS 70 and RBS 15 missile systems.

Share of Group sales

**14%**



#### Electronic Defence Systems

Offers a product portfolio comprising airborne reconnaissance and surveillance systems and airborne, land-based and naval systems in radar, signals intelligence and advanced electronic self-protection.

*Examples of products:* Giraffe AMB, Erieye and Arthur.

Share of Group sales

**16%**



#### Security and Defence Solutions

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

*Examples of products:* Remote Tower, air traffic management system and 9LV (combat management and fire control system).

Share of Group sales

**23%**



#### Support and Services

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

*Examples of products and solutions:* 340 MSA Reconnaissance aircraft, CBRN warning system, mobile camps and field hospitals.

Share of Group sales

**13%**



#### Combitech

An independent Group subsidiary that reports as a business area. The company is one of Sweden's largest technical consulting companies, offering consulting services in systems development, system integration, information security, systems security, communication, mechanics, technical product information and logistics.

Share of Group sales

**6%**



Market segments							
Business areas	Air	Land	Naval	Civil security	Commercial aeronautics	Other	Sales, MSEK <sup>1</sup>
Aeronautics							6,869
Dynamics							3,572
Electronic Defence Systems							4,161
Security and Defence Solutions							5,891
Support and Services							3,419
Combitech							1,598
Sales, MSEK	10,693	6,462	2,292	1,979	1,615	709	23,750

Saab's business areas have systems, products and services that meet the various defence and security needs of the market. The units interact within the group, both in research and development and in marketing. The aim is both to have a specialised offering in each market segment and to capitalise on synergies.

1) Refer to the business areas' total sales. Corporate and internal eliminations are included in the Group's total sales.

## Market segments

### Air

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 system currently in service in five countries. During the year Sweden took the decision to procure the next generation Gripen, and a co-operation agreement was concluded between Sweden and Switzerland. In December, the Brazilian government announced that it had selected Gripen.

Share of Group sales

**45%**

### Land

We have leading positions in many segments 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.

Share of Group sales

**27%**

### Naval

We have a strong position in radar and early warning, command, control and communication systems (C4ISR), tactical weapons and underwater systems.

Share of Group sales

**10%**

### Civil security

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. We hold strong positions in Sweden, Central Europe, the US and Australia.

Share of Group sales

**8%**

### Commercial aeronautics

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, and we provide maintenance for the approximately 400 Saab 340/2000 aircraft that remain in operation around the world.

Share of Group sales

**7%**

# CHAIRMAN'S STATEMENT

## INTERNATIONALLY RESPECTED INNOVATION POWERHOUSE

I am addressing this statement to our shareholders and others with an interest in Saab. Allow me to share some reflections having taken an active role in Saab's development for a long time, as a director and as chairman.

Saab operates in an industry where a long-term approach and financial stability form part of the business itself. Customers are often defence authorities or the equivalent, which, regardless of what nation they represent, place high demands on reliability and cost effectiveness. The combination of technological, financial and political challenges requires that Saab demonstrates stability and strong survival ability – regardless of economic conditions.

### Ability to manage our heritage in a changing business environment

Saab was born in an entirely different age from the one we live in today. Back then we were facing a world war; Sweden was neutral and decided, with scarce resources, to develop its own defence capabilities. Today, Saab acts in a global defence and security market, where strategic military priorities have changed as new threats and security needs have taken shape.

Geopolitical shifts, control of natural resources and secure global transport solutions for freight and passengers are some of the driving forces that influence our industry. The level of economic growth affects all industries. The past few years have been marked by strained government budgets, with the need to prioritise expenditure, which has resulted in reduced defence spending, particularly in Europe and the US. At the same time, emerging

countries in Asia and South America have increased their military spending. In 2012, global defence spending declined for the first time since 1998.

Overall, this is the reality we have to deal with. It is not uncomplicated. Saab is one of the defence and security companies that are well positioned for the developments in the international market. We strive to offer our customers the most efficient and effective solutions. We can partly thank our origins for this: Cost-effectiveness and innovativeness are two strong genes in Saab's DNA. But heritage and a good start have to be managed and developed. Saab continues to develop its ability. One example is the increased international presence that we have successively built up, and learnt important lessons from, over many years. An important milestone in our ongoing internationalisation was to establish a local market area organisation in our key markets during 2013. This means that, using our own capabilities and expertise, we are able to service the needs of different markets better and more quickly with solutions for improved civil security – regardless of whether these are military or civilian security solutions.

### International collaboration builds trust

In a globalised world where technological development is accelerating, new opportunities and challenges are developing. Technology transfer and exchange of skills are important, especially for a company like Saab, acting from an export-dependent country. Long-term and trusting collaboration between different actors and countries benefits all parties. At a time when many countries are actively working to attract foreign companies to set up and



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invest, competition is increasing for international investment and industrial co-operation. The areas vary, but the common denominator is that all parties are increasingly recognising that there are advantages in mutual and trusting exchange of knowledge. Saab has long recognised that access to the very best expertise is essential in order to remain at the cutting edge of technological development. Our base for research and development is in Sweden, but without our international partnerships in education, research and development, and production Saab would have lost ground and business.

On 18 December, the Brazilian government said that its decision to acquire the Gripen NG was based on its ability and capability, technology transfer and the cost of both the purchase and the entire lifecycle. This is, first and foremost, an important and well-deserved recognition of Gripen as a weapons system. But I would also argue that it is a recognition of Saab as a serious and long-term business partner that demonstrates long-term community engagement built on respect and sincere mutual exchange between different actors in society. Now we must live up to the responsibility that we hope will be the result of the contract negotiations that are underway.

A concrete example of collaboration is the Swedish-Brazilian Centre for Research and Innovation (CISB) that we initiated in São Bernardo do Campo, Brazil. The CISB brings together people from government, academia and industry. The aim of the centre is to conduct self-funded research in order to generate innovations for commercial application, both in Brazil and internationally. In Switzerland, Saab supports a similar organisation through the Swiss-Swedish Innovation Initiative.

### **The importance of openness and transparency**

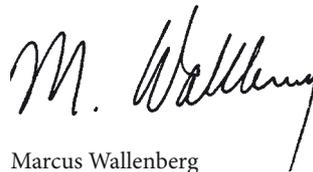
The board strives constantly to ensure that Saab has an updated and relevant ethical business framework. Part of this work involves taking an active role in the development of international guidelines and principles that govern the way our industry acts and conducts business. Examples of this are our commitments to the Aerospace and Defence Industry Association (ASD) and the International Forum on Business Ethical Conduct (IFBEC). Another example was the board's decision for Saab to adopt the principles of the UN Global Compact in 2011. All this is a logical consequence of the internal work being conducted around business ethics at Saab. In short, we have zero tolerance for corruption.

My position, and that of the board, is that transparency is a matter of trust – especially when it comes to governance and monitoring of all the different parts of the business. During the year, the internal governance of Saab has been further intensified when it comes to clarifying responsibilities and monitoring performance, at both the product level and the individual level. This includes not only financial performance, but also obviously how we live up to our responsibility to contribute to a safer and more secure society.

In December 2013, heads of state and government met at the European Council in order to discuss issues including European security and defence policy. For us, an important part of this was the discussion that took place on measures to strengthen the European defence industry. Traditionally, the defence industry has quite naturally been a concern circumscribed by national considerations and priorities. We welcome the current discussion at the highest level in the EU that emphasises the importance of openness and transparency, equal treatment and equal opportunities, a so-called level playing field.

Saab is today an internationally respected innovation powerhouse. The past year's successes for our outstanding technologies in areas such as radar serve as clear evidence. Today, Saab has a portfolio that is well matched to its customers, with cost-effective and multi-functional defence and security solutions for both military and civilian use. We also know that in order to remain at the cutting edge we must constantly develop our offering. We have therefore identified key technologies at the core of our offering. These will be provided with the necessary resources to ensure long-term customer value and shareholder value for many decades to come.

Stockholm, February 2014



Marcus Wallenberg  
Chairman

## CEO COMMENT

# UNIQUE EFFICIENCY OFFERS GROWTH OPPORTUNITIES

**Saab is in many respects a unique company. Our origins and our DNA have resulted in us doing things both smart and cost-effectively. The ability to anticipate requirements for defence and security solutions means that Saab is at the absolute forefront of developing and customising its product portfolio.**

Saab has a clear focus. We supply high-tech products, integrated solutions and services in a cost-effective manner to our customers. In this way we assure returns for our shareholders and achieve our growth targets. Guiding Saab in the right direction in a challenging market requires that we have very good understanding of both global and local markets and of our customers. We need to have dedicated employees and the right cost structure. Saab's strategy is based on four cornerstones: creating long-term profitable growth; constantly reviewing and adapting our portfolio; creating more efficient operations; and continuously developing our employees. The past year has been marked by both challenges and very positive breakthroughs. Clear examples of the latter are Brazil's choice of Gripen and the decisions of the Swiss parliament to proceed with its procurement of Gripen.

### Changing market

When I summed up 2012 at the annual general meeting in April, one subject I spoke about was the way efficiency, active portfolio management, and research and development contribute to growth, competitiveness and good profitability. I also brought up the challenging market situation that requires us to constantly develop our ability to deliver according to our customers' needs. I can now say that the tough market situation is a continuing reality. Competition is fierce and customer needs are changing faster than ever before. This requires us to always be prepared for change and to develop together with our customers.

### A more customised and focused portfolio

The new market area organisation will ensure a continuous dialogue with customers in key markets. This means that the investments made in research and development are better able to match future customer needs for defence and security solutions. In turn, this leads to lower costs today and more secure revenues in the future.

Saab is one of the most research-intensive companies in Sweden and in the global defence market. In the past year we invested 28 per cent of sales in research and development. The technologies we are investing in will complement existing product areas and enhance Saab's competitiveness. In order to shorten lead times from identified need to delivery and revenue, we have strengthened the portfolio management system used by both the development and the sales organisations. Identified customer needs are now better matched with decisions on development efforts.

### Focus on efficiency

Sales amounted to MSEK 23,750, an organic decline of 2 per cent. Budget constraints in the US had a negative impact on our training and traffic management operations in the US. Business

area Dynamics was also affected by budget constraints and delays in customers' investment processes. This was compensated by growth in the business areas Aeronautics and Combitech.

The order backlog has been filled with strategically important orders and was at a historically record high of MSEK 59,870 (34,151). During the year we received orders worth SEK 29.8 billion from Sweden's FMV, related to the development and production of the Gripen E. Apart from these orders, we are seeing a clear shift in the defence market. Saab's business has previously experienced its main growth in the traditional markets of the West, but business is now being won and is growing in emerging markets, such as those in Asia.

The continued challenging market conditions have prompted us to announce efficiency measures in 2013 that are expected to generate MSEK 500 in cost reductions at the close of 2014. Another example of action is the establishment of the new market area organisation at the beginning of 2013. Our financial position is strong, which ensures that we can work with a long-term stance. This is essential in our business, where we often have commitments with our customers for many years.

### Focus on governance and cash flow

Achieving sufficient profitability is about being in control of the margins on execution and deliveries. Our portfolio includes everything from long-term contracts with complex systems to products and services delivered to customers on short lead times. The reported margin varies according to the particular project mix. During the year a more transparent and more clearly broken down governance model was introduced in order to obtain greater internal transparency. The gross margin for 2013 amounted to 26.6 per cent (30.0). Operating income for 2013 totalled MSEK 1,345 (2,050) and the operating margin was 5.7 per cent (8.5). The result includes a material non-recurring item of MSEK 231 related to a lost legal dispute in Denmark. Adjusted for material non-recurring items the operating income amounted to MSEK 1,576 (1,843) and the operating margin was 6.6 per cent (7.7), which is in line with the revised guidance provided in the half-year report.

A key priority is to secure a positive cash flow. As part of the efforts to work actively on cash flow during the year, inventory and outstanding accounts receivable have been analysed. It is not uncommon for working capital to vary over time in the defence industry. This depends largely on when milestone payments are made and on the current project mix. 2013 operating cash flow totalled MSEK -1,480 (-396). The lower operating cash flow in 2013 is mainly attributable to timing differences in milestone payments in large projects, investments and acquisitions, as well as a payment related to the Danish legal dispute.

### International breakthrough proves Saab's capability

The Gripen system's cost-efficient multifunctionality is a success on the international export market. The Gripen C/D is today in use with five air forces and with the British Empire Test Pilot School. During the year, FMV ordered development, modification and production of 60 Gripen Es for the period 2013–2026.

**“SAAB IS AN ATTRACTIVE PARTNER IN THE INTERNATIONAL ARENA.”**



In Switzerland the parliament voted in favour of procuring Gripen, and in 2014 there will be a referendum on this.

In December came the good news that Brazil has chosen Gripen as its future fighter aircraft. Negotiations are now underway with the Brazilian Air Force to conclude contracts for 36 Gripen NGs. Moreover, in 2013 we saw growing international interest in Gripen as the next-generation multi-role fighter in, for example, Asia, Europe, South America and sub-Saharan Africa. Overall, this is an important recognition of Saab's engineering. There is great potential for more international business with Gripen.

The surveillance capability of the Erieye airborne radar system enables users to monitor targets in the air and at sea. During the year, the Brazilian Air Force ordered an additional upgrade programme for the system, which will further enhance its ability to control its airspace and to monitor the country's borders.

Saab's successes in the international market can be attributed to our highly competitive product portfolio. We are also an attractive partner internationally. The collaboration agreement signed with Boeing to jointly develop and build an entirely new, advanced and cost-efficient training aircraft is one example of this. Boeing and Saab will develop a strong industrial collaboration in order to participate in the upcoming US Air Force TX procurement of some 350 new aircraft and related systems and logistics.

**An important business in the community**

Today we are present locally in 32 countries. In Sweden we have operations in 50 different locations. We have an important role in the development of safer communities that provide security for people all over the world, and we are an active participant in the local community, irrespective of where we operate. This is why we have initiated close collaboration with several universities and colleges. We

have also established research collaboration in several markets. Two successful examples are our research centres in Brazil and India.

During the year some of our most experienced employees have moved out into the world. Together with locally recruited colleagues, a market area organisation has now been well established in the markets where we do business. This means that new business is assured and is always conducted in accordance with our ethical guidelines and in a commercially efficient manner.

As a more decentralised organisation has been established, our expectations of both managers and employees have been clarified. The more performance driven corporate culture creates both clarity and development opportunities for all employees. This strengthens Saab's attractiveness as an employer among the best and brightest students of today and tomorrow. This also encompasses our determined efforts to get more women into the company as a whole and into leadership positions. With a determined effort in terms of both recruitment and internal leadership development programmes, we will achieve our goal of at least 30 per cent women in senior positions by 2015 at the latest.

Finally, I can only look forward to another exciting year in which I believe we will see new international breakthroughs for Saab's fantastic product portfolio.

Stockholm, February 2014

A handwritten signature in black ink, appearing to read 'Håkan Buskhe'. The signature is stylized and fluid, written over a white background.

Håkan Buskhe  
President and CEO

# NEXT GENERATION OF GRIPEN

## CUSTOMER CO-OPERATION FOR SMARTER MULTIFUNCTIONALITY

The new generation of Gripen is a true multi-role combat aircraft developed to meet the market's demand for operational functionality. With avionics at the absolute cutting edge, tactical customisations can be made more quickly than ever before.

The agreement with FMV for the order of a new generation of Gripen was signed in February 2013. It is arguably one of the largest contracts of all time for Swedish industry. Under the terms of the agreement, another country in addition to Sweden is required to order the new Gripen. In August and September both chambers of the Swiss parliament voted in favour of acquiring Gripen and a referendum will be held in May 2014. And the Brazilian government announced in December that it has selected Gripen as its future fighter aircraft.

Production of the new Gripen is done primarily in Linköping and work is already in full swing. Test flights, where critical subsystems and their interoperability are tested to minimise risk, are already well underway. First delivery is planned for 2018. As previously reported, development is proceeding according to plan and contracts have been signed with all major subcontractors. Negotiations are underway with the Brazilian Air Force for the purchase of 36 Gripen NGs. Saab's offer to the Brazilian government covers technology transfer and industrial partnership, which may mean that some parts may be manufactured in Brazil.

### More correct from the start

One reason that the development of the Gripen E is proceeding according to plan is that Saab uses "model-based

development". This methodology was secured through the development of the Neuron unmanned aircraft, among other things, and is now used in all technical areas for the Gripen E project. All software and hardware development is done with the help of computerised models, meaning that updates are made extremely quickly. Fewer test flights are needed with this model-based development, since many verifications can be conducted in simulators rather than in the air. Any problems with the models are detected at an earlier stage and changes can be made to the models rather than at a later stage during test flights. Simply put, things are more correct from the start, which improves development efficiency.

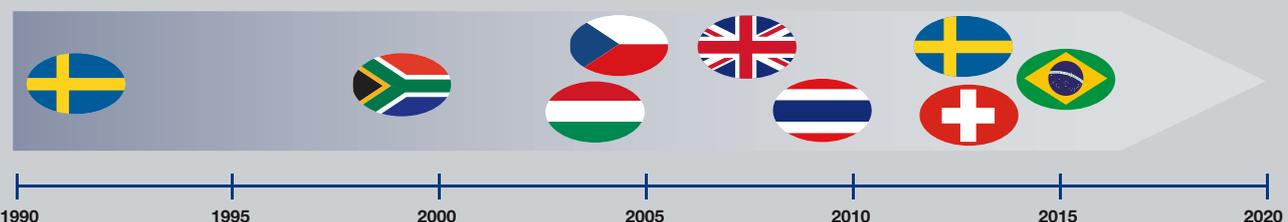
### Co-operation on development

The new Gripen's solutions need to meet the demands of the market. A demo programme was therefore initiated back in 2006 to indicate which new capabilities customers were demanding of Gripen, such as increased cargo capacity, new sensors and the ability to stay in the air longer. In other words, many of the major actions taken for the Gripen E had already been done in a flying demo version, so the project's risks were greatly reduced. Saab showed with the demo programme that the Gripen E fulfils the increased requirements while otherwise maintaining performance standards. The Gripen E's engine will have approximately 20 per cent greater thrust than engines from previous Gripen versions. We co-operate closely with customers to further guarantee that Gripen E's operational capacity meets customer demands. Saab is responsible for design, while FMV, the Swedish Armed Forces and the Swedish Defence Research Agency (FOI) provide ongoing support and feedback. This is a great strength in ensuring customer satisfaction when delivery is made.



### Countries that have chosen Gripen

- Sweden** Contract 1983–2006. Development of Gripen A/B/C/D. Production of 235 aircraft. Of these, 14 aircraft have been leased to the Czech Republic.
- South Africa** Contract 1999. Customisation and production of 26 Gripen C/D.
- Hungary** Contract 2003. Customisation and production of 14 Gripen C/D leased from Swedish government.
- Czech Republic** Contract 2004. Customisation of 14 Gripen C/D that are leased from Swedish government.
- British Empire Test Pilot School** Contract 2005. Flying Gripen in Sweden to train future test pilots.
- Thailand** Contract 2008 – 2010. Customisation and production of 12 Gripen C/D.
- Sweden** Contract 2013. Development of Gripen E. Production of 60 aircraft.
- Switzerland** Political support in Parliament in 2013 for purchase of 22 Gripen E.
- Brazil** Government chooses in 2013 Gripen as its future fighter aircraft, intends to buy 36 Gripen NG.



The next generation Gripen for Sweden and Switzerland has been named Gripen E.



### **Built for information sharing**

Gripen E's customer value lies in the system's unparalleled operational combat capacity, its balanced design and the fact that the aircraft is built for information sharing. Information sharing refers to Gripen pilots' access to information gathered and analysed within their own group, giving pilots on the ground access to the same information as their airborne colleagues have. Information sharing is an element of the "information war" – determining where the enemy is while avoiding detection yourself. An increasing number of the world's air forces have realised that having an information advantage is actually more important than having maximum speed and manoeuvrability. Sweden has a 40-year tradition of developing inter-aircraft information sharing – experience that is gathered in the Gripen E.

### **A true multi-role fighter aircraft**

With its balanced design, Gripen has an equally great a capacity to perform fighter, attack and reconnaissance missions. Fighter actions are against airborne targets such as aircraft, helicopters and drones. Attack missions are against land and sea targets. Reconnaissance missions gather information on specific geographic areas. Low radar detectability is important, for instance, for combat aircraft developed with only attack capabilities - which most often means that customers pay in the form of lower acceleration power and manoeuvrability.

Gripen is a true multi-role fighter aircraft in the sense that the pilot can switch between fighter, attack and reconnaissance when the plane is in the air. This can be compared with early multi-role fighters, when pilots had to determine the type of mission the plane would be performing before taking off. The ability to switch roles when in the air means that the pilot can continuously receive other searches on radar, depending on the type of mission. Sensors aim at airborne targets on fighter missions and at land targets on attack missions. Gripen E will go one step further in development.

With new sensors; an Active Electronically Scanned Array (AESA) radar, a passive IR sensor where the target's thermal radiation is detected and "MAW" (Missile Approach Warners) that detect incoming weapons – pilots will be able to see targets in the air as well as on the ground. The latter interoperate with a new advanced electronic warfare system that Saab has developed, which gives great ability to detect and disrupt other aircraft, as well as protecting the own aircraft from attack.

Gripen E's avionics are designed in such a way that flight safety functions are separated from tactical functions, making it easier for users to create their own tactical applications. Customers wishing to specialise Gripen for the fighter, attack or reconnaissance roles can be accommodated.

## MEGATRENDS

# GLOBAL SHIFT, NEW REQUIREMENTS FOR SECURITY SOLUTIONS

**Worldwide security needs are increasingly influenced by economic circumstances and by the vulnerability of every-day social functions. This means that military resources will increasingly be put to the protection of critical infrastructure and of strategic resource flows of various kinds.**

### **The World: military, economical and civil aspects converge to a widened defence and security domain**

Today's globalised world is characterised by megatrends like urbanisation, stronger inter-connectedness and rapid unpredictable technological advances large impact, not only in an economic context but also affecting security policy. There is no doubt traditional military capabilities will remain the core asset and focus of any nation's defence capabilities for a long term to come, but new aspects of defence and security are gaining in importance. In terms of global governance some major factors of change are economic power, regionalisation and the growing importance assigned to an evolving multi-polar world order with nation states remaining the key actors.

As touched upon in previous annual reports, the concept of national security is widening, with nations as well as organisations giving economic prosperity and societal functions like critical infrastructure, and strategic flows of goods and resources a more prominent place in national security thinking.

With this also comes a growing focus on societal resilience and a need to keep society safe from all kinds of hazards. As a result, in the absence of a serious threat, the resource allocation between military defence and security aspects and non-military security, resilience and sustainability aspects within national budgets may change to the benefit of the latter. The current stagnation, or even decrement, of military spending in the western world and the global demand for increased spending on infrastructure may well be a part of such a scenario.

National militaries are becoming more involved in continuous security and resilience work, lending support in the protection of larger portions of a nation's physical infrastructure than before against threats of military force and asymmetric kinetic attacks, including cyber-attacks. The potential aggressor could be anything from another nation's armed forces to terrorists or organised crime. In the rapidly growing cyber segment, nations also use military resources to protect digital network functionality and intellectual property.

Naturally there is also an offensive side to this, with modern history, research and recent exercise patterns showing a growing interest among nation states in developing capabilities to attack societal functions and paralysing an enemy's civil society while keeping lethality low.

One often underestimated driver behind this development is an evolving normative framework that has contributed both to a quite drastic reduction of the magnitude of especially inter-state wars (fewer, smaller, shorter, less lethal etc.), and to an increasing focus on legitimacy and "just warfare".

### **A generic geostrategic emphasis – urban and maritime implications**

The increasing importance of economic factors and everyday societal operations to national security puts a geostrategic emphasis on places and functions crucial to society. In peace time, guaranteeing access to the global commons and enabling strategic flows of all kinds of resources becomes a more important mission, as does maintaining a readiness to handle natural disasters or humanitarian catastrophes, at home or abroad. In times of conflict, cities – and more precisely their transportation and communication networks (including ports and airports) as well as the systems to supply food, water and electricity – will be tempting targets and objects to protect. Given the layout of the world this also means that urban and maritime aspects will be important.

All in all, the development brings changing and/or enlarged responsibilities for armed forces in many parts of the world, functionally as well as geographically. It also brings new challenges and opportunities for the traditional defence and security industry.

### **The Industry: challenges and opportunities**

Stagnating military spending, albeit with clear regional differences, present a major challenge for most defence industries, but especially for the ones based in the western world. However, the increased focus on economic matters and sustainability also bring opportunities. In many ways civil and military affairs are converging into an enlarged security business domain including military and civil actors as well as public and private operators. In this context infrastructure is key, and the overlapping civilian and military usages of and dependencies on cyberspace related platforms, networks and functionalities are good examples.

While remaining firmly in the defence business, traditional defence companies can branch out to adjacent or even interlinked business segments and make use of their high-tech skills in fields like ISR, cyber security, technical consulting, system integration, training, simulation and traffic management to support both security, resilience and efficiency. But at the same time the development has brought new competition, with companies traditionally seen as civilian now engaging more in the widening defence and security market.

Another aspect to keep in mind when trying to assess the future of defence business is that the speed of technological advancement will change the conditions (shorter time-lines, more unpredictability) of capability development and defence procurement planning for both buyers and sellers.

### **Defence as a service**

In many places, the introduction of new technologies as well as the professionalisation of the armed forces increase the likelihood of certain defence activities being bought as a service rather than performed by military personnel. Weapons maintenance, intelligence collection, analyses, administrative tasks, transportation, support activities like housing and feeding forces, IT-services and even operational activities like remotely flying armed UAV's are

## Security needs

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 to 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.

some examples. The increasing element of services in the defence sphere combined with a growing involvement with everyday societal functionality also bring about an enlarged 24/7 operational duty in peacetime, with military units constantly engaged in, for example, port-security or cyber-security operations.

## Spending

While global military spending might be stagnating, the regional differences in spending patterns clearly indicate a big market potential in many of the emerging powers in regions like Asia, the Middle East, Africa and Latin America. The regional discrepancies become even stronger if one takes note of the differences as regards how money is allocated within defence budgets, with the growth regions generally spending a larger part on acquisitions and operations.

## Infrastructure – a huge sector with strong links to the defence domain

The convergence of the traditional defence sector and parts of civil society increases the opportunity for defence companies to strengthen their position in non-military markets, for example infrastructure.

In the western world the need for maintenance and modernisation of existing infrastructure is immense, not least in defence markets like the US and parts of Europe where the current willingness to invest new resources in traditional military operations

is limited. At the same time, the need for new infrastructure is growing rapidly in the emerging economies where existing infrastructure, hard pressed by demographics, urbanisation and growing trade, is already hampering further growth.

Some calculations suggest a need for investments of at least USD 40 trillion over 20 years<sup>1</sup> and it seems logical that the defence industry will find ways to address this market to a much higher degree than before.

The image above can be seen as an illustration of this development.

1) Source: OECD JOURNAL: FINANCIAL MARKET TRENDS – VOLUME 2011, Issue 1.

## MARKETS

# COMPLEX ENVIRONMENT REQUIRES EFFICIENT SOLUTIONS

Being able to equip the military with modern defence platforms and technologies requires resources. A number of Western countries are cutting their defence budgets, which increases the need for cost-effective products and solutions. Meanwhile, the demand remains for interoperable systems for participation in international interventions.

### EUROPE

Customers in Western Europe are reducing their defence spending somewhat due to the economic downturn in Europe. Most countries in the region are restructuring their armed forces in order to reduce their organisations and create scope to continue to modernise their equipment.

Many countries in Central and Eastern Europe still need to acquire new equipment for their armed forces in order to enhance their ability to collaborate with, and contribute to, NATO. As the EU expands eastward there is an increasing need to secure the flow of goods and people and to protect the new external borders of the Union.

In the Nordic countries, Norway, Denmark and Finland have their own approach to their security policy and the defence industry. Both Norway and Denmark are members of NATO, and Denmark is about to resume its acquisition of a new fighter aircraft. Finland will also need to buy new fighter aircraft in 10 years.

The Baltic countries have a general need to modernise some of their equipment with a somewhat limited budget. Most countries in the Nordic and Baltic regions are reducing their defence budgets, which means an increased need for cost-effective products, services and solutions without compromising on capability and interoperability. The market for civil security is growing in the region.

In December 2013, European Union heads of state and government discussed for the first time in several years the common security and defence policy. It was concluded that a properly functioning defence market is based on transparency and fair competition. Co-operation between member countries' defence industries is considered essential to the successful development of future high-tech defence solutions. Closer co-operation on defence policy between the member countries will be discussed again during the EU summit in June 2015.

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Share of global defence spending in 2013 **24%**

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### USA AND CANADA

The USA and Canada accounted for approximately 39 per cent of the world's total defence spending in 2013, according to IHS Jane's Defence & Security. The US defence budget alone accounted for 38.6 per cent of global defence spending, which is a decrease from the year before.

The defence budget in the US is expected to decrease the coming year and reach a low point in 2015 when a large decrease of overseas contingency operations, for example operations in Afghanistan, is planned. After that the defence budget is estimated to be flat or even show a slight increase. In Canada, the defence budget is expected to decrease in coming years.

The US will nevertheless continue to have the largest defence expenditure globally.

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Share of global defence spending in 2013 **39%**

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### CENTRAL AND SOUTH AMERICA

Central America has had among the lowest defence spending in the world in terms of percentage of GDP. However, the trend of decreased or unchanged defence spending has been broken in recent years. The reason is that the region's defence forces, along with internal security forces, have been involved in the fight against drug cartels and organised crime groups.

South America's defence spending has increased in recent years. This trend is apparent in better quality of the armed forces since defence spending is rising faster than troop size.

Brazil accounts for approximately half of the region's defence spending and has the ambition and resources to develop a diversified defence industry. According to IHS Jane's Defence & Security, Brazil's defence spending will increase by approximately 3 per cent annually the coming years.

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Share of global defence spending in 2013 **4%**

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### ASIA AND PACIFIC REGION

In 2013, spending in the area accounted for 24 per cent of total global defence spending. This entire region increases its defence spending by 3.3 per cent annually, and growth is primarily driven by China. China and Japan are the two countries that had the largest defence budgets in the region. IHS Jane's Defence & Security estimates that in 2013 China accounted for 8.4 per cent of total global defence spending, and shows an annual 11 per cent increase of defence spending. In 2013, Japan's total defence budget was the third largest in the world and accounted for 4.3 per cent of total global defence spending.

The defence budget in India has seen nominal annual growth. However, its expenditure is impacted by deferred decisions and a weakened local currency. The procurement process for defence material means that co-operation and local manufacturing are favourable in India. In addition to modernisation of the armed forces, increased asymmetric threats have led to a need to also modernise the coast guard, paramilitary organisations and civil security.

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Share of global defence spending in 2013 **24%**

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### UNITED NATIONS, UN

The UN is the largest multilateral organisation in the world when it comes to stabilising conflicts and post-conflict situations. The growing number of natural disasters also requires greater involvement of the UN in the form of equipment and personnel. In 2012, UN procurement was worth USD 15.4 billion, involving both peacekeeping operations and humanitarian efforts.

The UN offers a stable and increasingly accessible market for players such as Saab, which operates in the civil and military fields and in the grey zone in between. Part of the UN's peacekeeping work includes delivering logistics solutions. Saab has developed a capability to deliver this type of solution, even in highly complex environments, and has since 2010 been engaged by the UN to operate a service centre with maintenance, training, inventory management etc in East Africa. In order to become a long-term supplier to the UN, Saab will focus on a number of selected niches such as solutions for maintenance, systems of unmanned craft and a number of pure product offerings.

### MIDDLE EAST AND AFRICA

The availability of reliable data on defence budgets in Africa is somewhat flawed, but the trends in defence spending in Africa suggest that these will increase in coming years, particularly in Sub-Saharan Africa.

One of the challenges in the Middle East is to leave the dependence on oil behind and to move towards a more sustainable industrial base. The reduced focus on energy and the global interest in stability in the region mean that there is a need to increase the national defence and security capabilities. This means that expenditure is increasing in the region. The growing flow in society implies strong performance in the market for civil aviation and shipping.

According to IHS Jane's Defence & Security Saudi Arabia increased its defence and security budget by 18.6 per cent in 2013 and has the largest defence budget in the region, accounting for 3 per cent of total global defence spending in 2013.

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Share of global defence spending in 2013 **9%**

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### NATO

Many EU countries are members of NATO. In addition to NATO's fundamental role to safeguard its members' freedom and security through economic and military means, the alliance also has a growing interest in civil security and peacekeeping missions. These are often carried out in co-operation with the EU and the UN. However, NATO has a small joint budget and its missions are financed by individual countries.

The ongoing restructuring of NATO and a change in focus, which means the end of the long period of missions in Iraq and Afghanistan, will pose new demands on NATO's capabilities in Europe.

# VALUE CREATION

## SAAB'S ROLE IN SOCIETY

An understanding of the external environment is crucial when selecting the right strategic focus. Awareness of stakeholder expectations and the company's role in society is essential when it comes to reducing risk, making investments and being an attractive business partner and employer.



### Knowledge and safer societies

Saab's defence and security systems contribute to a safer society. In a time marked by fierce competition and strained national budgets, it boils down to being smarter and more cost-efficient than other players. These precise qualities, combined with high-tech expertise, are part of Saab's DNA.

The capacity to make society safer is improved per se through knowledge about and insight into causality. Saab has long upheld the importance of education – in terms of talent management and as part of our ambition to truly benefit the countries in which we operate.

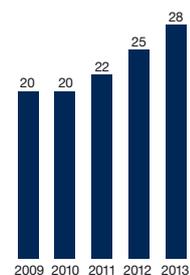
Security needs are constantly changing, and this requires research and development of new tech-

nologies and solutions. Saab is one of the world's most research-intensive defence companies.

We take an active part in raising societal awareness of security needs and defence materiel with initiatives including the Technology and Security Forum in Sweden and the 2013 Cyber Security Forum in Brussels.

Saab is also the initiator of the Swedish-Brazilian Centre for Research and Innovation (CISB). See picture on next page.

R&D expenditures 2009–2013, % of sales



### Collaboration with partners and suppliers



WE SUPPORT

Along with globalisation come opportunities to initiate collaborations that can improve efficiency and produce smarter solutions. Saab started out as a purely Swedish company with the explicit role of ensuring Sweden's supply of defence materiel. Saab has become more international as conditions have changed, and for many years the company has initiated a number of successful industrial partnerships. And

with suppliers in more than 20 countries, Saab is able to focus on its core competencies while at the same time creating job opportunities and sharing knowledge in many parts of the world.

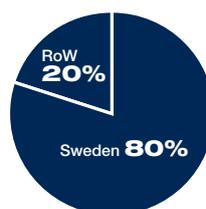
With relationships with partners and suppliers alike are based on internationally agreed business ethics principles and Saab's Code of Conduct. Saab has zero tolerance for corruption.

### High-tech expertise

Saab employs 14,140 people, 2,798 of whom work outside of Sweden. Around 60 nationalities are represented at Saab. Most growth takes place outside Sweden, meaning that Saab will need to recruit new employees in prioritised geographic markets.

Roughly 70 per cent of Saab's employees are trained engineers and work on developing high-tech products and solutions. Saab Academy offers numerous training programmes to Saab employees, including leadership training.

Number of employees in Sweden vs. Rest of the World



Number of university-trained

**57%**



CISB, the Swedish Brazilian Centre for Research & Innovation, held its third annual meeting in November 2013. In connection with the annual meeting, there was an awards ceremony for the winners of The Sweden-Brazil Scholarship Challenge. The first prizes in the competition were two scholarships – one to Linköping University and one to Chalmers University of Technology. Both scholarships include paid internship at a leading engineering company, of which Saab was one.

## Customer relationships spanning the globe



Saab's customers are in large part national organisations and agencies responsible for the procurement of defence materiel. In 2013, 81 per cent of sales was generated by defence and security operations and 59 by customers outside Sweden. Procurement processes are often

long and are sometimes part of a political decision-making process. A current example of this is the ongoing process in Switzerland regarding the potential Gripen purchase from Sweden, which will be settled through a referendum in 2014.

In some large deals, Saab may serve as subcontractor or partner to a company with which it competes in other deals. Customer co-operation on product development is becoming increasingly important. Gripen E is one such example, with the customer involved in financing some of the development costs.

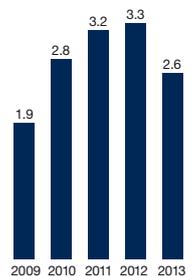
During 2013 Saab participated in 55 exhibitions in 25 countries, including the Dubai Airshow, Paris Airshow and Defence and Security Equipment International (DSEI) in London. Exhibition participation is an important channel for cost-effective outreach to defence industry customers.

## Long-term returns

Saab's strategy focuses on an overarching plan to establish trust in Saab as an investment alternative. This involves understanding and responding to stakeholders' various expectations and creating the basis for long-term sustainable value development for our shareholders.

Trust also requires a high degree of transparency. Saab's ambition is to describe its business in a clear way that makes it easy for current and potential investors to understand the business model and evaluate the risks and opportunities the company is facing.

Yield



# SAAB'S BUSINESS MODEL

## TECHNOLOGIES THAT MEET THE NEEDS OF THE MARKET

### Market driving forces

The driving forces in Saab's markets are linked to altered threat scenarios and new societal security needs. Defence spending in Western countries has decreased due to the economic trend, while investments are on the rise in other parts of the world. This increases demands for cost-efficiency and the ability to anticipate and respond to changing customer needs.

#### Strained national budgets – an advantage for cost-efficient products

Defence spending has decreased for the past five years, according to IHS Jane's Defence & Security. With Western countries' declining defence budgets, the traditional view that the best defence and security solutions are the ones that cost the most money is shifting towards demanding more value for the money. This makes it particularly important to incorporate cost-efficiency as a production design parameter. Multifunctional products are one example of this, designed as they are to solve several different tasks, as opposed to traditional defence products designed to handle only one specific task and offer protection against one specific threat. Another key aspect is lead times - shorter lead times mean lower development costs, which are reflected in product price.

#### Demand for local presence with regional focus

Despite the stagnation of global military spending, some regions such as Asia, the Middle East and Latin America, are experiencing growth. Increased defence spending in growth markets is attracting international defence companies competing to sell their products. Local presence and a regional focus are therefore necessary elements to ideally adapt the offer to customers' needs.

#### New co-operation and alliances call for system integration

More and more countries are moving away from having armed forces for the primary purpose of safeguarding national borders and territory towards having armed forces able to participate in international operations such as international community peacekeeping and economic development missions. When different defence forces operate together, their systems need to be co-ordinated and integrated operationally. There is therefore rising demand for open systems and system integration.

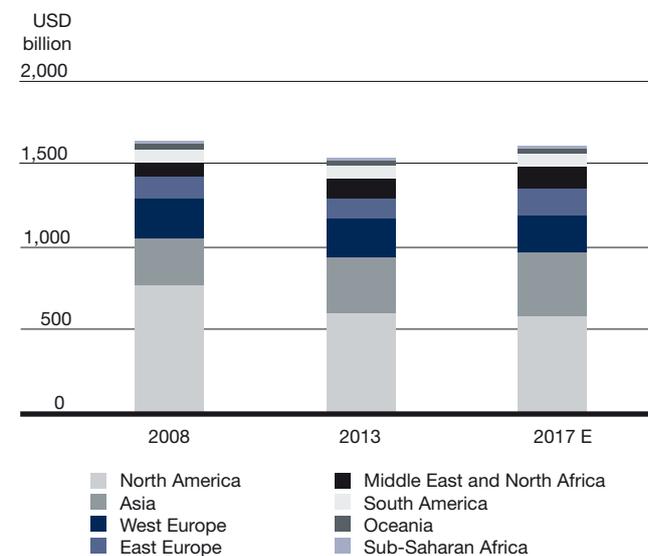
#### Increased need to safeguard supply chains and make them more efficient

Growing transnational flows of goods, energy, capital, people and information in an increasingly globalised world heightens the need for security and efficiency. This applies not only to safeguarding infrastructure for strategic flows from military threats and terrorism, but also to satisfying functional requirements such as making flows more secure and efficient at key hubs. Without exception, strategic flows of goods and resources are playing an increasingly prominent role in the security mind-set of countries and organisations. Added to this is the need to safeguard critical systems from cyber-attacks.

#### Convergence of civilian and military sectors

In many ways, the lines dividing civilian and military are being rubbed out. This is partly due to rapid developments in information and communication technology (ICT). Defence companies need to utilise their high-tech expertise to win a place in the expanded security industry. Ultimately, technology will be the determining factor in terms of who wins the contract when civilian and military companies meet in competition. Another key factor shared by civilian and military strategies is identifying sustainable solutions and safeguards against environmental threats.

#### Military spending 2008–2017



Total global defence expenditure in 2013 totalled USD 1,530 billion, which is 7.1 per cent less than the spending in 2009. Another 1.8 per cent decline is expected by the end of 2015, before global defence spending is predicted to increase again.

Source: IHS Jane's Aerospace, Defence & Security, Defence Budgets Annual Report 2013

## Saab's offering and strengths

Saab is world leading within system integration and continues to invest heavily in research and development to meet customer needs.

Saab offers products within the air, land, naval, civil security and commercial aeronautics categories. Business area Aeronautics – which includes the Gripen fighter and unmanned vehicles – generates the most sales.

Gripen is a leading fighter system with large possibilities to continuously integrate new abilities, such as weapons and sensors. The Gripen system was, for instance, the main test platform for the Meteor air-to-air missile that was developed for Gripen, Eurofighter and Rafale. Gripen's innovative design enables swift and efficient upgrades of the system.

System integration is also vital to improving cyber security. Saab offers systems that protect mission-critical solutions and key networks in this increasingly relevant area. The products are available as stand-alone solutions and as integrated solutions and services for other defence and civilian purposes.

Being at the forefront of technology development requires a product portfolio that is constantly evolving to adapt to customers' current and future needs. Saab therefore reinvests about a quarter of its sales in research and development. An ongoing dialogue with customers ensures that the right R&D priorities are set. Opportunities for close customer relationships were further strengthened through the establishment in 2013 of the new market area organisation, with six prioritised markets.

Another important driving force that Saab encounters in its operations is the need for securing supply chains and making them more efficient. Saab's civil security offering is focused on ensuring efficient flows at airports, ports and along coastlines.

### Saab's strengths



Saab's strengths are its uncompromising focus on quality, substantial investments in research and development, cost-efficiency on all levels and strong local presence.

Saab has a strong position in key segments of the market, and offers products that improve throughput and reduce costs and environmental impact.

Another of Saab's strengths is cost-efficiency. Saab has succeeded in shortening lead times and improving production efficiency, resulting in lower costs for both Saab and its customers. Because it operates in an industry characterised by long-term contracts, Saab is very aware that time is money—and therefore always strives to deliver on time, every time.

### Saab's markets segments

	AIR	LAND	NAVAL	CIVIL SECURITY	COMMERCIAL AERONAUTICS
<b>THE OFFERING</b>	INTEGRATED SOLUTIONS, INCLUDING C4ISR <sup>1</sup> , TRAINING & SIMULATION				
	Gripen and unmanned systems	Camouflage solutions	Underwater products		
<b>PRODUCTS AND SYSTEMS</b>	Aeronautical sub-systems	Training and simulation systems		Civil security and traffic management systems (incl. ATM <sup>2</sup> )	
	Missile systems	Support weapons		C4ISR <sup>1</sup> systems	
<b>SERVICES</b>	TECHNICAL CONSULTANCY AND SUPPORT AND SERVICE				

1) Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance

2) ATM – Air Traffic Management



## Business flow

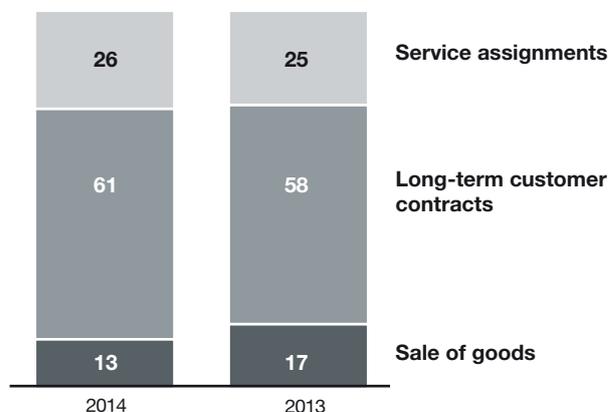
Saab's earnings are primarily generated by long-term customer contracts, service assignments and sale of goods. Margins vary depending on the nature of the project.

The main focus of Saab's business is long-term customer contracts entailing the development and manufacture of complex systems. These account for nearly 60 per cent of Saab's sales. FMV's order in February 2013 for the development and modification of 60 Gripen E aircraft is a clear example of this. Saab will be working on this order through 2026. Long-term contracts are continually recognised in revenue, meaning that income and expenses associated with the project are recognised as the project is completed. Cash flows for these contracts depend on the timing of advance payments and milestone payments during the order period.

Service assignments, which account for around 25 per cent of Saab's sales, are comprised of consulting and support services. Examples include training and ongoing maintenance associated with previous deliveries.

The third part of Saab's sales model is the sale of products and spare parts that Saab manufactures and stocks or purchases on behalf of customers. Examples of this include the Carl-Gustaf and ammunition for its weapon system.

Share of revenue, per cent



### Industrial co-operation – part of our offering

One of the cornerstones of Saab's strategy is to increase local presence in prioritised markets where we see growth opportunities. To achieve this, and thereby develop Saab as a company, partnerships with local companies, research centres and other social stakeholders are being established or expanded.

Saab's products and solutions are produced mainly in Sweden, but subcontractors and component manufacturers are found in many parts of the world. Saab's capacity to supply products that combine high quality with cost-efficiency is made possible through its partnerships with subcontractors beyond Sweden's borders.

Saab also includes industrial co-operations in its offering when requested to do so by customer-countries. With clear requirement specifications and market-oriented terms and conditions, industrial co-operations are a complement to the systems, products and

services that form the basis of our customer offer. In practical terms, industrial co-operations involve financial investments, the hiring of subcontractors in the market and facilitating local industry participation in new business opportunities.

Requirements for industrial co-operations in defence industry deals vary between countries. Some countries have legislation in place, while other countries do not. In some countries, the customer decides on a case-by-case basis whether or not an industrial co-operations will be required under the contract and, if so, how it will be structured. Either way, Saab's focus is always market-oriented and based on creating long-term profitability. In this way industrial co-operations support Saab's strategy to become more local and come closer to its clients, for the benefit of all parties involved.



## Market area organisation

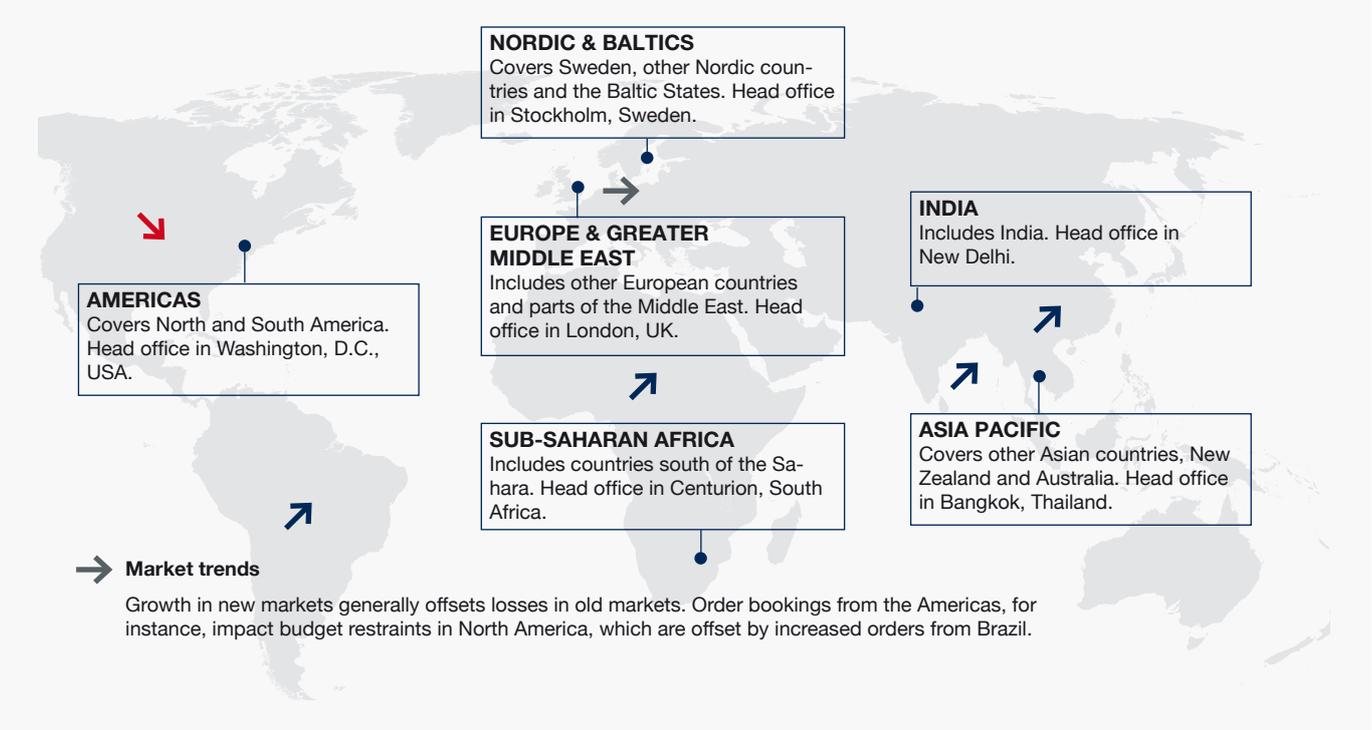
Saab's new market area organisation, with increased market presence in selected markets, improves our understanding of what customers want and enables us to do more business. In the long term, the new organisation will also have an impact on Saab's research and development.

Saab has most of its operations in Europe. The rest of the world is growing in importance since that is where the most growth is occurring. A tough, fiercely competitive market climate requires that Saab understand its clients, their situation and their needs.

This is the reason behind Saab's establishment of a new market area organisation in January 2013. Two hundred or so Saab salespeople who were previously based in Sweden relocated to six local offices in the most important markets. The market area head office for the Nordic and Baltic States remains in Stockholm, while the other offices are located in London, Washington D.C., New Delhi, Bangkok and Centurion.

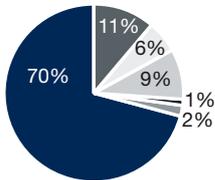
The new market area organisation represents a big change. Saab is better able to manage business processes and identify new business opportunities by having employees in local markets. Through its local offices, Saab is closer to its customers and has a better understanding of their needs.

Saab's local managers throughout the world now have greater responsibility for running operations. In the long term, the market area organisation will also have an impact on Saab's local research and development. The creation and maintenance of close local customer relationships generates opportunities for new R&D collaborations.

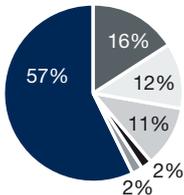


The graphs show the distribution of total order backlog, order bookings and sales per region. The agreement with FMV for development of the new Gripen impacts Swedish order bookings, which increased to 57 per cent (27) in 2013.

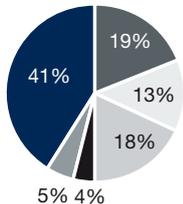
Order bookings, per region



Order backlog, per region



Sales, per region



- Sweden
- Europe excl. Sweden
- Americas
- Asia
- Africa
- Australia, Other

# MARKET ORGANISATION

## INCREASED ACTIVITY THROUGH LOCAL PRESENCE

Local presence in priority markets increases Saab's visibility, and awareness of our product portfolio. Local presence also enhances Saab's ability to capitalise on new business opportunities in each region.

### NORDIC & BALTIC

#### Saab's position/offering

Nordic & Baltic is the market where Saab has the largest turnover, where Sweden, being the origin country of Saab, is one of the most important countries for the whole of Saab. Having the Swedish customer as a reference is of essence in many projects globally. Good relations with the Swedish decision makers, customers - military as well as civil; authorities and other stakeholders are imperative for our business. In 2013 FMV ordered the development of Gripen E, as well as the production and modification of 60 Gripen E.

In total we have 11,546 employees in the market area today.



#### Remote tower symposium

Saab and LFV (the Air Navigation Service Provider for Sweden) held a Remote Tower Symposium in Järfälla and Sundsvall. The jointly developed operative and technical solution for remote tower services will culminate in the first facility in the world being granted a licence for operations. This is a pioneering, Swedish-developed product for remote air traffic management, ready for launch in the first quarter of 2014.

### EUROPE & GREATER MIDDLE EAST

#### Saab's position/offering

Western Europe is Saab's biggest market outside the Nordic countries. It's a mature market with a well developed defence and security industrial base where UK and Germany has been our most important markets. This area is also a major market for our civilian aeronautical products. Central and Eastern Europe market is slowly growing and Gripen has a strong position in the region. Middle East is still a relatively young market for Saab. In the whole market area Saab have a good base for our civilian air and maritime traffic management solutions.

In total we have 678 employees in the market area.



Saab often meets its customers at trade shows worldwide. In 2013 Saab attended, among others, the Defence Security Equipment International (DSEI) show in London.

### AMERICAS

#### Saab's position/offering

In 2011 Saab strengthened its position in North America through the acquisition of Sensis Corporation. In 2013 Saab signed a Joint Development Agreement (JDA) with Boeing to jointly develop and build a new advanced, cost-efficient T-X Family of Systems training solution for the upcoming competition to replace the US Air Force's aging T-38 aircrew training system. The JDA, with Boeing as the prime contractor and Saab AB as primary partner, covers areas including design, development, production, support, sales and marketing.

Saab also signed an agreement with Boeing on providing the Large Cargo Doors, Bulk Cargo Door and Access Doors for the Boeing 787-10 Dreamliner. We were also awarded the first option year of a multi-year contract for the next generation of laser-based training systems for the US Army's armored combat vehicles.

In Brazil the government announced the selection of Gripen NG as their future fighter jet. Negotiations between Saab and the Brazilian Air Force are now ongoing aiming at a procurement of 36 Gripen NG.

An order was also received for the electromagnetic signal-sensor part of the Brazilian border security program Sisfron. Sisfron is the integrated border monitoring system the Brazilian army is developing for its western border, contributing to regional security and fighting cross-border crimes.

Saab today has 728 employees in the market area.

## INDIA

### Saab's position/offering

Saab has supplied ground combat products in India for a long time, but is a new entrant for sale of defence products and solutions. Local presence has increased visibility and awareness of our defence portfolio. Success has been achieved in entering for example, the electronic warfare business. Two ongoing large tender processes where Saab currently are participating include the VSHORAD (Very Short Range Air Defense) and SRSAM (Short Range Surface to Air Missile) with solutions from business areas Dynamics and EDS.

In total we have 54 employees in the market area.



## ASIA PACIFIC

### Saab's position/offering

Australia and Thailand are important markets for Saab. In Australia, Saab has operated with local presence in command and control systems market, which shows growth within traffic management and security. Read more about Australia below. Thailand operates 12 Gripen and a Saab Airborne Early Warning System. In 2013, Saab has signed a contract with Daewoo Shipbuilding and Marine Engineering Korea, for development and integration of combat management and radar systems on a new frigate for the Royal Thai Navy. Some parts of the Asian market are not accessible for Saab due to political reasons.

In total we have 359 employees in the market area.

## SUB-SAHARAN AFRICA

### Saab's position/offering

Saab has operations mainly in South Africa, but also smaller operations in other countries on the continent. South Africa operates 26 Gripen. The support for operations of the Gripen fighter system in South Africa was previously handled through short-term interim contracts. In 2013 a steady state support contract for 2013–2016 was signed between Saab and Armscor that enables Saab to conduct support operations in a sustainable manner with a long-term horizon, with high efficiency and availability.

Saab today has 775 employees in the market area.



### Local presence in Australia increases sales

With the gradual reduction in global defence spending Saab Australia reacted early and rapidly diversified into a highly successful Integrated Security systems line of business. Now highly regarded in the security industry with a spread of operational reference sites the intention is to grow the integrated security business to achieve an order intake comparable to the defence business in Australia.

The diversification strategy has also been extended to capturing international business in both the defence and security domains. Initially work came through supporting larger Saab projects in Canada, Thailand and the Middle East however this is now growing to the point where Saab Australia is taking the lead on new business opportunities in selected countries in Asia.

The creation of the Market Area Asia Pacific has further strengthened this strategy and provided further opportunities for Saab Business Areas to base services supporting the region out of Australia.

# TRAFFIC MANAGEMENT POSITIONED TO EXPAND ON THE GLOBAL TRANSPORTATION MARKET

**Saab Traffic Management provides solutions for efficient flows of people and goods around the world. On a strong market there are several opportunities for growth.**

Historically, traffic management market growth has exceeded GDP, and air passenger traffic as well as shipping are expected to continue to grow. This development is driven by new demand in emerging markets, for instance China is to build a large number of new airports in the next few years, as well as the need to modernise aging systems to accommodate growth and improve capacity and environmental performance in the West. Nextgen in the US and SESAR in Europe are modernisation programs directed to improve the respective region's airspace capacity.

Demands for new technology to address growth and modernisation make this a highly attractive market for Saab Traffic Management. Saab Traffic Management provides solutions for safe, secure and efficient flow on land, in the air and on the seas intending to promote the unfettered flow of people and goods around the world. The business unit represents the combination of Saab's organic traffic management business with American Sensis acquired in 2011 and the Dutch company HITT acquired in 2012.

## **The world's first Remote Tower**

Growth initiatives within Saab Traffic Management include expansion on emerging markets and of innovative solutions like Saab's Remote Tower system, developed together with the Swedish Air Navigation Service Provider (ANSP) LFV. Saab's Remote Tower system offers a possibility to combine a dynamic use of resources, information sharing and safety enhancement features at a location other than a local air traffic control tower.

The world's first Remote Tower system is located at the airport in Sundsvall, Sweden. It will remotely manage operations at Örnsköldsvik Airport. Saab's Remote Tower system is also being deployed by Norway's ANSP at Værøy Heliport where the system achieved site acceptance testing in 2013 and by Australia's ANSP at Alice Springs Airport in central Australia.

Another example from the portfolio is the Integrated Tower Automation Suite (INTAS). INTAS has been commissioned into service by Australia's ANSP. Now deployed at four towers, the integrated air traffic control tower platform in use in Australia is a universal, flexible solution that supports any tower position (local, ground, clearance or supervisor) and is fully scalable to any size tower, from small regional airports to major international hubs like Melbourne.

## **Extending the marine business**

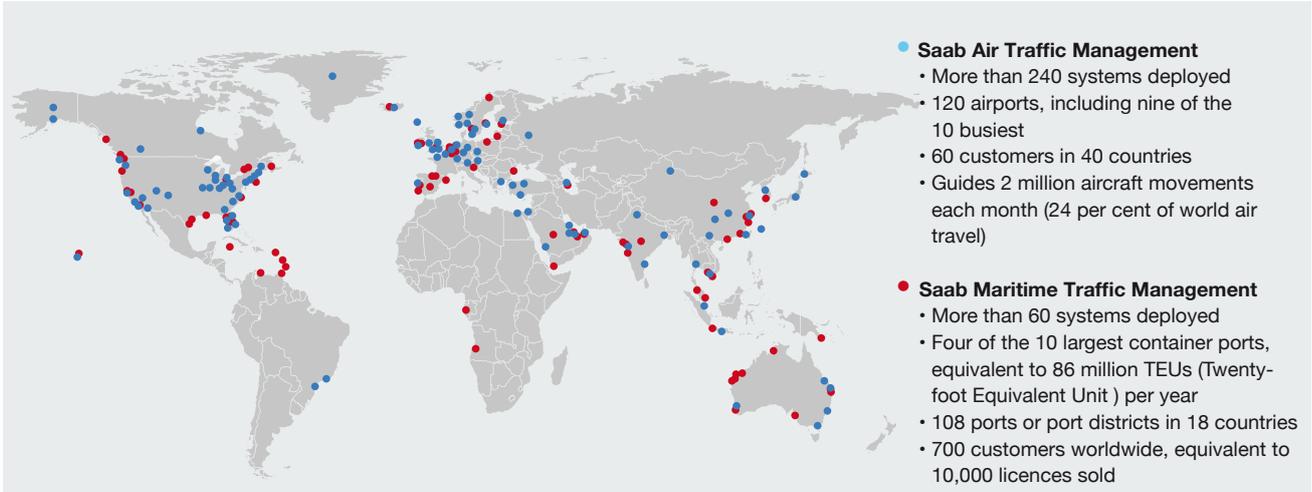
To provide better value to its customers Saab is increasing the overall marine portfolio integration, leveraging synergies to implement best in class solutions and extending the business to include larger Coastal Surveillance market opportunities. Integrating its Vessel Traffic Services solutions with Port Management solutions allows Saab Traffic Management to capitalise on the growing market for Marine supply chain efficiency, safety and security solutions.

One such solution is the V3000 Vessel Traffic Management Information System (VTMIS). In Rotterdam many of Saab's marine systems come together where the V3000 supports traffic guidance, Qinsy hydrographics software provides exact waterbed mapping and Qastor navigation software supports marine pilots in safely navigating the largest bulk carriers in the world.

In conclusion, Saab is building a strong Traffic Management business to address a strong, growing market.



The V3000 Vessel Traffic Management Information Services (VTMIS) system is an indispensable tool for the port of Rotterdam, used to maintain safe and efficient traffic flows in all weather conditions.



Amsterdam's Schiphol airport is Europe's fourth largest. Saab Sensis Multilateration improves safety, efficiency and capacity at the airport by giving air traffic controllers an accurate picture of the take-off and landing runways, taxiways and gate areas in all weather conditions. Multilateration is a system that tracks the movements of aircraft and vehicles using their transponder signals.



Saab's Remote Tower system uses a number of video, audio and other sensors to provide a continual, comprehensive view from the air traffic control tower. The data from cameras and other sensors is fed to a flight control centre, where air traffic controllers have complete control of all sensors and all lighting at the airport, along with integrated flight data, electronic flight strips and other air traffic control tools.

# STRATEGIC PRIORITIES

## ACCELERATED FOCUS ON IMPLEMENTATION

### 1. PROFITABLE GROWTH

#### Activities during the year

A new market area organisation was established on 1 January 2013. Local presence was progressively expanded and work procedures were developed during the year.

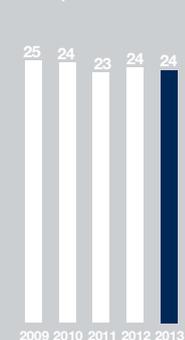
Despite challenging market conditions, order bookings were up 141 per cent during the year. The increase was due in part to the development order for Gripen E and Sweden's production order of 60 Gripen E aircraft, both of which are part of Saab's agreement with FMV (signed 15 February 2013) that also includes additional orders related to the Gripen E.

Saab also received other large and important orders, including several orders for wing spars for Airbus A380, training equipment for the US Army, anti-missile defence systems for Indian Air Force lightweight helicopters, upgrades to the Erieye airborne radar system in Brazil, the Arthur weapon locating system and radar and combat management systems for Thailand Navy frigates.

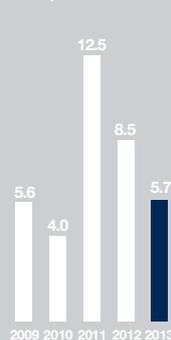
#### Outcome/Goal attainment

Total sales were down 1 per cent in 2013 year-on-year. Acquisitions had a positive impact on sales of 2 per cent, while exchange rates had a negative impact of 1 per cent. The operating margin was 5.7 per cent (8.5). Excluding material non-recurring items, the operating margin was 6.6 per cent (7.6).

Sales, billion SEK



EBIT, %



#### Priorities 2014

Maintained focus on ensuring desired effects from the market area organisation. To evaluate where the growth potential is, we will continually follow up all business opportunities and measure our success in winning new business.

One highly significant programme is the Gripen E development programme. We will focus on proceeding with development and delivering milestones according to plan.

We will also continue to evaluate potential acquisitions in areas that complement our product portfolio and support business in prioritised geographic markets.

For long-term financial goals and outlook for 2014, see page 44.

### 2. PERFORMANCE

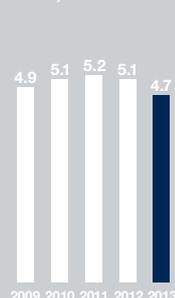
#### Activities during the year

Market conditions became continuously more challenging in 2013. The decision was made to identify additional efficiency measures in order to ensure further scope to invest in research and development and sales and marketing activities. These measures are aimed at improving our capacity to achieve our established long-term goals. Efficiency improvements implemented during the year include volume adjustments and increased focus on working methods to reduce development, production and indirect costs throughout the entire company. In order to become one of the most cost-efficient companies in the industry, it is imperative that we constantly adapt our operations.

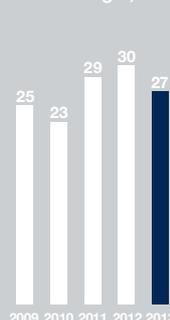
#### Outcome/Goal attainment

The gross margin decreased to 26.6 per cent (30.0), mainly due to a change in product and project mix. Administrative costs decreased, representing approximately 4.7 per cent (5.1) of sales. Marketing costs decreased slightly and corresponded to approximately 8.8 per cent (9.1) of sales. The operating margin was 5.7 per cent (8.5).

Administrative costs, % of sales



Gross margin, %



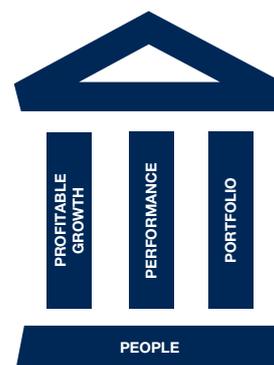
#### Priorities 2014

Implementation of the efficiency measures identified in 2013 will continue. The estimate is that measures implemented in 2013 will contribute with approx. MSEK 500 in efficiencies at the close of 2014. We will also maintain our continuous efforts to improve efficiency at every level – from research and development to sales.

We will continue to focus on strengthening our internal processes and creating a uniform internal process structure.

For long-term financial goals and outlook for 2014, see page 44.

Saab's four strategic priorities are profitable growth, performance, a focused portfolio and people. In 2013, we continued taking several important steps in our strategic priorities to achieve our long-term goals.



## 3. PORTFOLIO

### Activities during the year

Two minor strategic acquisitions were made in 2013. An agreement was signed in May to acquire Teknikinformation i Krokomb AB (TIKAB), with 67 employees. The acquisition broadens Saab's service portfolio and strengthens Saab's competitiveness as a supplier of support solutions. In September Saab acquired the British company Hydro-Lek Limited, with 25 employees. The acquisition strengthened Saab's product portfolio of remote-controlled, autonomous and hybrid underwater vehicles with the ambition to further grow the company.

Saab and Boeing signed a co-operation agreement for the joint development and construction of an entirely new, advanced and cost-efficient training aircraft for the upcoming US Air Force procurement of new training aircraft to replace their aging fleet of T-38s (the so-called T-X programme).

### Transactions

- TIKAB
- Hydro-Lek Limited

### Co-operations

- Boeing

### Research and Development

Total expenditures in research and development (R&D) in 2013 amounted to MSEK 6,543 (5,946), representing about 28 per cent of sales (25). A major part of the development efforts were made in the development of Gripen and in development of radar and sensor technologies. Of total R&D expenditures, MSEK 1,332 (1,798) was internally funded, of which a total of MSEK 24 (292) was capitalised.

### Priorities 2014

Investments in prioritised areas for product development and renewal.

Ongoing mapping of potential acquisitions that complement the portfolio and strengthen the offering.

Continued bilateral co-operation with academia.

## 4. PEOPLE

### Activities during the year

Efforts were stepped up this year to develop a more performance driven organisation characterised by a results focus, business understanding and strong leadership. To this we are now adding more clear-cut methodology to give tangible shape to how our individual goals best fulfil the company's long-term business strategies.

Alongside our comprehensive management development programme, we are working to further strengthen leadership. Part of this effort is our internal initiative to formulate expectations placed on management in a more performance driven organisation and specify in practical terms how these expectations are to be achieved.

Saab advanced in two external Employer of Choice rankings in Sweden. We are also nearing achievement of our goal to have at least 30 per cent female managers by 2015. As of the close of 2013, 25.1 per cent (22.1) of Saab managers are women.

### Results 2013

Key HR ratios in Sweden	2013	2012
Employer of choice – externally (Universum)	8th	25th
Employer of choice – internally	75 <sup>1)</sup>	75
Share of female managers, %	25.1	22.1

1) based on a global employee survey conducted in January 2014

### Priorities 2014

- Continue to develop a more business-oriented organisation distinguished by a performance driven culture.
- Further strengthen leadership by focusing on results and business understanding.
- Strengthen and harmonise the HR support function based on a global organisation that is also close to the market.
- Ensure and develop future talent management by strengthening Saab as an employer.

**Read more on page 41**

# PROFITABLE GROWTH

## MORE INTERNATIONAL CO-OPERATIONS

Sweden and other Nordic countries are an important base for Saab. But future growth will chiefly take place in other international markets.

With Gripen, Saab holds a strong defence market position in Sweden, the Nordics and other European countries. This position was further strengthened by the order from the Swedish Armed Forces for the development of Gripen E and production of 60 Gripen Es during 2013, as well as the potential order of 22 Gripen Es from Switzerland in 2014.

Despite reduced defence budgets in the US and Europe and the tough market situation, Saab has not lost any ground. Sales have risen in the regions where we have worked hard to gain market share, such as the Americas and Asia. Sales of smaller projects and products have been stable for many years.

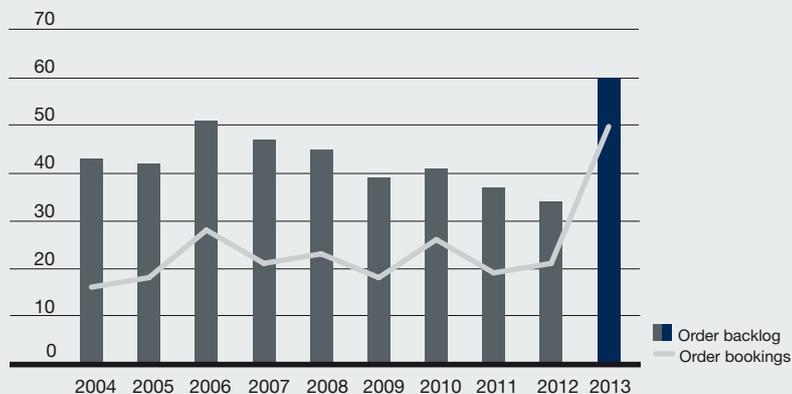
In order to remain successful and achieve our long-term goal of annual organic growth of 5 per cent over a business cycle, Saab must continue developing new high-tech, cost-efficient solutions.

Close co-operation with customers is particularly important when it comes to developing new products.

Growth will also be generated through acquisitions. As specified by Saab's acquisition strategy, these will be complementary acquisitions and will only be made in prioritised areas. The acquisition of Dutch HITT in 2012 is a good example; along with the acquisition of American Sensis in 2011, HITT created the new Traffic Management business unit. Saab also looks for acquisition opportunities that may serve as a way in to a selected market. Underlying all of this is our ambition to create a more streamlined portfolio. We therefore also regularly review the portfolio with reference to the divestment of non-core businesses.

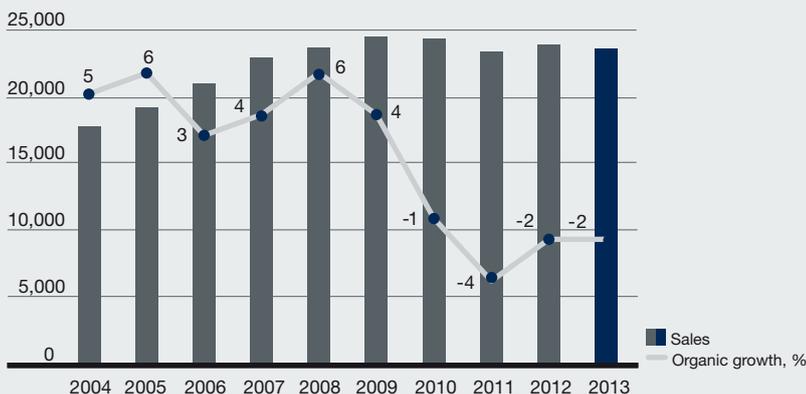
During the 2010–2013 period, Saab acquired 21 companies for SEK 2 billion and divested 12 companies for SEK 1.9 billion. Saab acquired SEK 2 billion in sales, while the divestments generated scarcely any reduction in sales since most divestments were of participations in associated companies or sales of small companies.

Order backlog trend supports growth target



2013 was a historic year for Saab. Order bookings were at an all time high and we had important breakthroughs and positive news. Order bookings increased by 141 per cent in 2013 compared to 2012. The increase is mainly attributable to the orders by FMV regarding development and production of Gripen E, but also many other significant orders were received. As an example, Saab received an order for development and integration of the radar and combat management systems on a new frigate for the Royal Thai Navy. Brazil placed orders for an upgrade of the airborne radar system Erieye, as well as for the electromagnetic signal-sensor part of their border security programme Sisfron.

Sales and organic growth



Saab's organic growth target is for average annual growth of 5 per cent over a business cycle. The primary drivers of Saab's growth are the Gripen, the new marketing organisation, competitive advantages in terms of cost-effective cutting edge technology, and the adaptation of the business model and strategy to local market requirements. Acquisitions will continue to support growth.

### Priorities 2013

Due to tougher competition, increased local presence is becoming more important. Saab's new market area organisation, fully implemented as of January 2013, is one way of meeting this need. The six new market areas are responsible for order bookings and have contact with local market customers. Strong internal co-ordination between the market areas and product manager is necessary to win complex deals. This way of reaching out to customers is in line with Saab's implementation of a new, more performance driven corporate culture. The market area organisation also enables us to pick up on trends at an early stage and to adapt the portfolio and offering to the market accordingly.

Saab's order backlog increased by SEK 25.7 billion in 2013. Strategically important orders include Swedish FMV's SEK 29,8 billion Gripen E order.

Saab also made acquisitions during the year, including Hydro-Lek and TIKAB. Alongside the Gripen order, perhaps the most interesting contract was the co-operation agreement with Boeing. Under this collaboration Boeing and Saab are aiming to be the strongest, most cost-efficient industrial partnership participating in the American Air Force's upcoming T-X procurement for approximately 350 new training aircraft and related systems and logistics.

### Priorities going forward

Saab continues to have a successful base of large projects in Nordic and other European countries. Saab also aims to gain market share in selected markets. The new market area organisation will support large orders (e.g., for the new Gripen) but our main focus is to increase the number of small- and medium-sized orders.

To create profitable growth, Saab will focus its research and development investments on the largest, strategically prioritised product areas. Other product areas will be maintained, although with limited resources.

Saab has noted increased demand and requirements from many new customers to include industrial partnerships in deals. Industrial partnerships and technology transfer are therefore key skills that are necessary for success in many of the fast-growing markets. At the same time, it is also crucial for Saab to maintain its strategically important core and leading-edge expertise.

Saab has extensive experience in successful technology transfer and programmes for industrial partnerships. Examples include an R&D centre in India, a Swedish-Brazilian R&D centre (CISB) and the Sea Gripen Design Centre in Great Britain.

### Boeing and Saab sign Joint Development Agreement

In December Saab announced its signing of a Joint Development Agreement (JDA) with Boeing, the American defence, space and security company, for the development and production of an advanced, cost-efficient solution for the US Air Force procurement of new training aircraft.

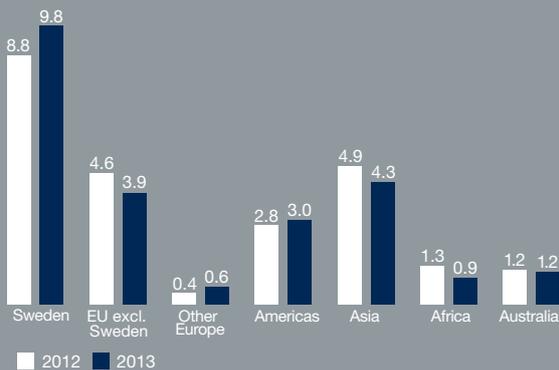


The US Air Force current training aircraft, the T-38 Talon, is outdated and needs to be replaced. Under the Saab-Boeing JDA, the companies will collaborate on the design, development, production, support, sales and marketing of a new training aircraft for the US Air Force procurement.

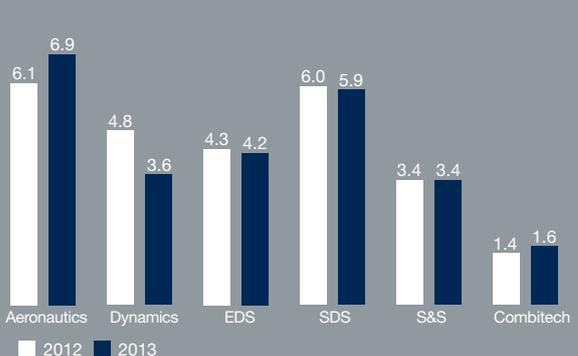
"We've worked long and hard to get to this point. Saab and Boeing together form a strong partnership that we are looking forward to working with," said Lennart Sindahl, Executive Vice President and head of Aeronautics at Saab.

The Boeing-Saab training solution will be an entirely newly developed training aircraft that meets US Air Force needs and requirements. The solution will not be based on the Gripen platform. Boeing is the main supplier under the terms of the JDA, with Saab as the principal partner. The agreement may also include other parties. Saab and Boeing will utilise their expertise from Gripen, Neuron and Boeing 787 to build cost-efficient, compact aircraft at low cost.

Sales trend by geographic market, billion SEK



Sales trend by business area, billion SEK



# MEASURES TO SECURE UNIQUE POSITION

Saab continues to streamline its operations to create uniform business processes and achieve strategic objectives. It was announced during the year that costs will be reduced an additional MSEK 500 by the close of 2014.

Saab's long-term performance target is an operating margin of 10 per cent on average over a business cycle. To achieve this goal, the entire organisation must be underpinned by a business culture focused on efficiency. Saab has a strong focus on improving efficiency as part of the organisational priorities set in 2010. Among other things, Saab is investing in creating smarter business-wide processes within product development (read more about this in the Portfolio section on page 29).

## Priorities 2013

To secure financial performance in 2013 and in the future while also creating scope for R&D investments in prioritised key areas, Saab announced in conjunction with the presentation of its Q2 report that efficiency measures of MSEK 500 had been identified, over and above the ongoing efficiency improvements. The total effect of these additional measures will be reported at the close of 2014.

Improving efficiency by adjusting volumes, reducing indirect costs and making more focused R&D investments are three areas that will be equally important in achieving our efficiency improvement objectives. Most of the measures were implemented during 2013, including reducing the number of consultants at Electronic Defence Systems and restructurings at Security Defence Solutions in Australia and Sweden. Saab also announced personnel reductions of 150–175 employees at Electronic Defence

Systems in Gothenburg, 70 employees at Dynamics in Karlskoga and 50 employees at Support and Services. The effect of these personnel reductions will be reported in 2014.

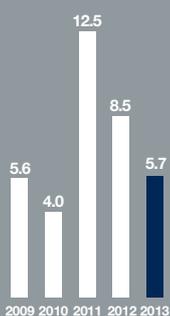
Another priority during the year was to carry through implementation of group-wide processes in the new market area organisation. The six new market areas, finalised as of January 2013, are focused on creating a stronger local presence in selected markets to improve understanding of customer demand for products and solutions. Over time, this will make businesses more efficient and reduce marketing and sales costs.

## Priorities going forward

Saab will continue to work with continuous efficiency initiatives and the creation of uniform global purchase, sales, product and quality processes.

Saab will further develop the new structure for financial governance in 2014. In practice, this entails shifting profit responsibility from the businesses areas down to the business units and improving internal transparency. More people at the management level will have greater profit responsibility, in line with Saab's performance management strategy.

Operating margin, %



The operating income amounted to MSEK 1,345 (2,050) and the operating margin was 5.7 per cent (8.5). Excluding non-recurring items the operating income amounted to MSEK 1,576 (1,843), and the operating margin was 6.6 per cent (7.7).

A material non-recurring item of MSEK 231 related to a lost legal dispute was recognised during the year.

## Measures taken in 2013

## Impact

Volume adjustments	→	Cost of goods sold
Cost reductions	→	Cost of goods sold and operating expenses
More focused R&D investment	→	Operating expenses

**Efficiency improvements of  
MSEK 500 at the close of 2014**

# A MORE MARKET-ADAPTED PORTFOLIO

**Saab's strategy is to invest in production innovation and strategic acquisitions in its key areas to achieve a more focused, market-adjusted portfolio.**

Saab has unique expertise in system integration, distinguished not least by the fact that Sweden is one of the few countries in the world able to deliver complex defence and security solutions. At the moment, for instance, a new version of the Gripen fighter is under development, a project that brings together Saab's core competencies and requires the efficient integration of several highly complex sub-systems. The new Gripen is being developed in collaboration with the customer FMV. Read more about the Gripen project on page 8.

## Product management and portfolio process

Saab's strategic priority is to create a focused portfolio with a competitive offering that can gain market share in selected markets. This goal has been implemented step by step through a series of initiatives. The product management process established in 2010 harmonises the work done in the six business areas and covers each product's entire life cycle. Under the product management process, every investment in product innovation requires a thorough analysis of customer value, potential market success and profitability. Saab took another step towards a more focused portfolio in 2012 by introducing a revised portfolio process for continuous portfolio evaluation, including prioritisation of potential investment objects.

## Acquisition and innovation in prioritised areas

Saab's overarching acquisition strategy is that an acquisition must strengthen the portfolio within prioritised areas or, alternatively, strengthen local presence in a selected market. For example, the strategic acquisitions of American Sensis in 2011 and Dutch HITT in 2012 were joined with Saab's existing operations to form the new Traffic Management product area. (Read more about Traffic Management on page 22). A review is also underway of possible divestments within non-core areas. Saab has the

same strategy for R&D investments as it has for acquisitions – strengthening the portfolio within prioritised areas.

## Priorities 2013

Implementation of the portfolio strategy proceeded in 2013 with the determination of twelve prioritised product areas. These twelve "key areas" together account for over 80 per cent of Saab's total sales. Each key area has annual sales of over SEK 1 billion.

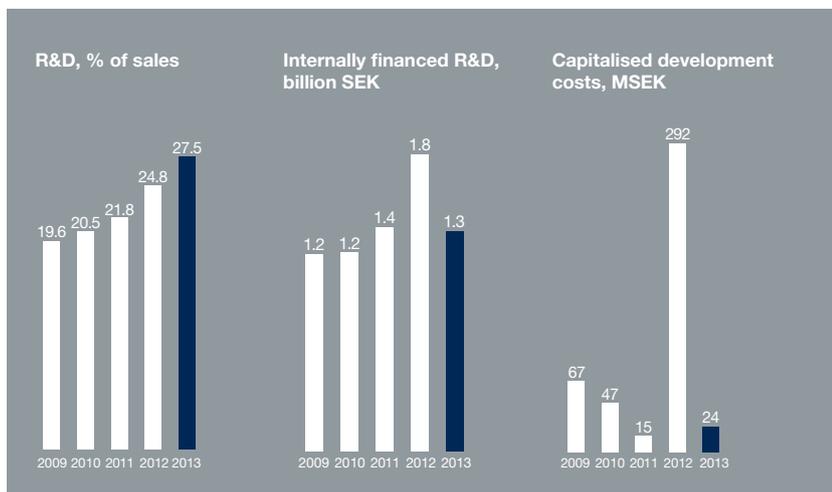
Saab has 28 product areas in total, and in 2013 Saab launched new product database with over 500 products grouped into the 28 product areas. The product database are linked to Saab's CRM system and provide strong support to the new market area organisation. One key characteristic of the product database is the option of providing bundled offerings to customers, which improves Saab's ability to steer customers towards cost-efficient solutions that lower risk exposure for the customer and for Saab.

During the year Saab continued to work with product development through modularisation. Modularisation allows Saab to quickly develop customised solutions with minimal effort, making development work more cost-efficient and shortening lead times from development to sale – thereby tying up less capital.

## Three strategic transactions

Hydro-Lek Limited – a British manufacturer of remote handling systems and tools for underwater vehicles, with European, American and Asian offshore industry customers – was acquired in 2013. An agreement was also signed to acquire Teknikinformation i Krokomb AB (TIKAB) – a company that produces and supplies technical documentation for the civilian and military market. Saab also made a strategic investment during the year in the listed Indian company Pipavav.

The strategic acquisition of Hydro-Lek strengthens Saab's position as the world's largest manufacturer of remote-controlled underwater vehicles for the offshore and defence industries. Remote-controlled underwater vehicles are an attractive niche product, and Saab's ambition is to continue to grow the operations. Hydro-Lek is part of business area Dynamics.



Total R&D expenditures totalled MSEK 6,543 (5,946).

Saab will continue to invest in internally funded development to strengthen our market-leading position in cost-efficient cutting-edge technology and secure our future offering.

Internally funded research and development totalled MSEK 1,332 (1,798) in 2013, of which a total of MSEK 24 (292) was capitalised. The year-on-year increase in capitalised expenditures is primarily attributable to the development of Gripen E.

Amortisation of capitalised development costs totalled MSEK 454 (590).

TIKAB is included in the business area Support and Services, which has a strong position in the global market for integrated support solutions. TIKAB further strengthens Saab's position in the market.

The alliance with Pipavav strengthens Saab's local presence in the important Indian defence and security market. Saab and Pipavav signed an MoU (Memorandum of Understanding) back in August 2012, specifying that Saab would make a strategic investment in Pipavav. A Technical Partnership Agreement (TPA) was signed by the companies on the same date.

### Priorities going forward

Saab's ambition is to create a focused, competitive portfolio. Investments in product development will be focused on the twelve key product areas. Acquisitions will strengthen the portfolio in these key areas or, alternatively, strengthen Saab's position in selected markets. A stronger presence in important markets will produce a more market-adapted portfolio and closer customer relationships that, in the long term, can lead to research and development opportunities. It will become increasingly important to attract foreign customers early on in the development process.

Saab will continue to collaborate with academia on "exporting the Swedish innovation system", including through the establishment of bilateral innovation platforms that enable joint activities between countries' universities, business sectors and public institutions. This type of bilateral collaboration is already in place in Brazil, Indonesia, Malaysia and Switzerland. As an example, Saab has joined with Chalmers University of Technology, the Royal Institute of Technology (KTH) and Linköping University to offer grants to talented young Indonesians to pursue Master's degrees and perform internships in Sweden. The first group of grant holders is scheduled to arrive in Sweden in August 2014.

### 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. During 2013 Protarius AB's soft armour and ballistic protection operations were acquired through an asset acquisition. The acquired operations are now part of Saab Barracuda. New investments were made in C-leanship Aps, increasing Saab's ownership interest from 38 per cent to 47 per cent. New investments were also made in several feasibility studies.

### Corporate portfolio

Company	Specialisation	Ownership interest, %
C-leanship Aps	Hull Cleaning Vehicles	47
Cold Cut Systems AB	Cutting Fire Extinguisher	29
Minesto AB	Tidal Energy Solution	10
Wrap International AB	Spectrum Management	23

### New generation of Saab's cutting-edge radar technology

Saab is further developing its radar system, including with AESA technology, to strengthen its market position and product portfolio. The objective is to improve the competitiveness of land-based, naval and airborne applications by improving functionality, including greater range and enhanced ability to see small targets in challenging radar environments.

The further development is inspired by Saab's major investments in research and development and its experience with the Giraffe AMB, Sea Giraffe AMB, Arthur and Erieye radar systems. To keep costs down Saab is applying modular development, with which common designs can be reused in multiple products and product areas.

There is major focus on making the new systems software-controlled, meaning that the systems are loaded with different software to create different capabilities. In the long run this is a matter of making systems multifunctional – for instance, air surveillance for finding aircraft or drones that can simultaneously detect small projectiles with a ballistic trajectory.

In addition to improved performance, resilience is a key customer demand. The new radar systems will therefore be extremely powerful and critical parts will have redundant solutions (i.e., a parallel solution that starts up automatically if the critical part breaks down).

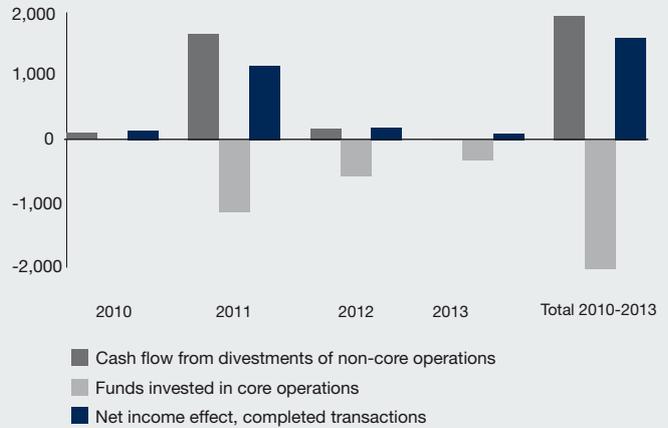
Due to the convergence of the civilian and military sectors with regard to information and communications technology (ICT), Saab is looking for ways to utilise component solutions from the civil market to help boost development. Saab is also shortening product-to-market lead times with incremental developments, making adaptations along the way. Development is model-based to quickly achieve good design solutions.



### Growth through acquisitions

The acquisition strategy is intended to strengthen the portfolio in prioritised areas. During the 2010 to 2013 period Saab conducted a total of 33 transactions, 21 of which were acquisitions and 12 of which were divestments. Divestments of non-core holdings generated a total of SEK 1.9 billion in positive cash flow without Saab having lost any substantial sales. Acquisitions corresponding to SEK 2.0 billion in core operations generated approximately SEK 2.0 billion in sales.

### Cash flow and income effect of acquisitions and divestments 2010–2013, MSEK



### TRANSACTIONS 2010–2013

- Acquisitions have strengthened the portfolio in prioritised areas and expanded the reach of prioritised areas in strategically important geographic markets
- Ongoing divestment of non-core assets
- Total: 33 transactions

	2010	2011	2012	2013
<b>Acquisitions and investments in core operations, 21 in total</b>		Sensis	HITT Medav Sörman Information Bayes Risk Mgt	TIKAB Hydro-Lek Pipavav
<b>Divestments of non-core operations, 12 in total</b>	Divestment of several holdings including portfolio holdings in Venture	Divestment of several holdings including portfolio holdings in Venture, such as C3 Technologies	Divestments of portfolio holdings in Venture	Divestments of portfolio holdings in Venture

### Smarter doors for Boeing Dreamliner

In 2005 Saab signed an agreement with Boeing for the development, industrialisation and supply of all cargo doors and access doors for all models of Boeing's B787 Dreamliner aircraft.

The larger doors are supplied complete with hydraulic, mechanical and electronic systems, making them ready to be mounted in the fuselage and operated immediately – plug & play. In addition, the doors are made of composites rather than sheet metal, which both improves performance and reduces weight.



Boeing 787 Dreamliner Production Line

# SUSTAINABLE INNOVATIONS



## INNOVATIVE WING REDUCES EMISSIONS

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 CO<sub>2</sub> emissions per passenger km flown in European airspace by 50 per cent, nitrogen oxides by 80 per cent and noise levels around airports by half. The project is now more than halfway complete and the results are beginning to be seen.

The project includes Saab's development of a 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 the latter part of 2015.

## ENVIRONMENTALLY FRIENDLY DEVELOPMENT OF AIR TRANSPORT

The Single European Sky is an ambitious EU initiative launched by the European Commission in 2004 to reform the architecture of European air traffic management. As part of the Single European Sky initiative, SESAR (Single European Sky ATM Research) represents its technological dimension. It will help create a "paradigm shift", supported by state-of-the-art and innovative technology.

The total estimated cost of the development phase of SESAR is EUR 2.1 billion. Within SESAR Saab AB participates in the areas of Remotely Operated Towers, Traffic Flow Management, Integrated Tower solutions and Turn-around efficiency.

SESAR is targeting a significant enhancement of the European air traffic management system to minimise the following environmental impacts: noise and local air quality at and around airports as well as climate change, which is driven by the release of emissions from aircraft fuel burn.

The following high level SESAR targets have been established:

- By implementing the SESAR concept in 2020, ATM-related CO<sub>2</sub> emissions should be reduced by 10% per flight (against a 2005 baseline).
- Improve the management of noise emissions and their impacts through better flight paths, or optimised climb and descent solutions.
- Improve the role of ATM in enforcing local environmental rules by ensuring that flight operations fully comply with aircraft type restrictions, night movement bans, noise routes, noise quotas, etc.



## SAAB CONTRIBUTES WITH TENTS AND CLEAN WATER TO THE PHILIPPINES

In November 2013 the Philippines was hit by typhoon Haiyan, decimating villages, towns and infrastructure. Saab contributed with two water purification systems and 150 tents to the disaster relief effort. Each water purification system supplies clean water to 4,000 people every day, with the tents providing shelter for a total of 600 people.

Saab was prepared to send staff from its permanent Project Relief task force, which provides rapid on-site humanitarian response to disasters. But as Red Cross staff in the country was in place to receive the water purification systems and tents, Project Relief assistance was not necessary.

Saab's expertise and experience within services and system solutions for defence, disaster and rescue missions are essential capabilities for helping people and communities in need. Previous Project Relief missions were carried out in Pakistan in 2010 and Thailand in 2011.



## C-LEANSHIP LOWERS SHIPPING COMPANIES' ENVIRONMENTAL IMPACT

Fuel consumption and environmental impact are two of the most central issues for the shipping industry. Vessel fuel consumption increases 5 to 10 per cent as a result of fouling on the hull, meaning millions of dollars in increased costs. Saab is a partner in the Danish company C-leanship, which has developed an underwater robot to wash ships hulls. The robot is a modified version of Saab's underwater robot, the Remote Operated Vehicle.

Ship owners can wash their vessels during normal port stops, reducing energy consumption and environmental impact while also cleaning the vessels in a safe, environmentally friendly way. In addition to reducing fuel consumption, this solution helps reduce the spread of micro-organisms between different marine habitats and, eventually, will offer an alternative to toxic antifouling hull paints through regular washing.

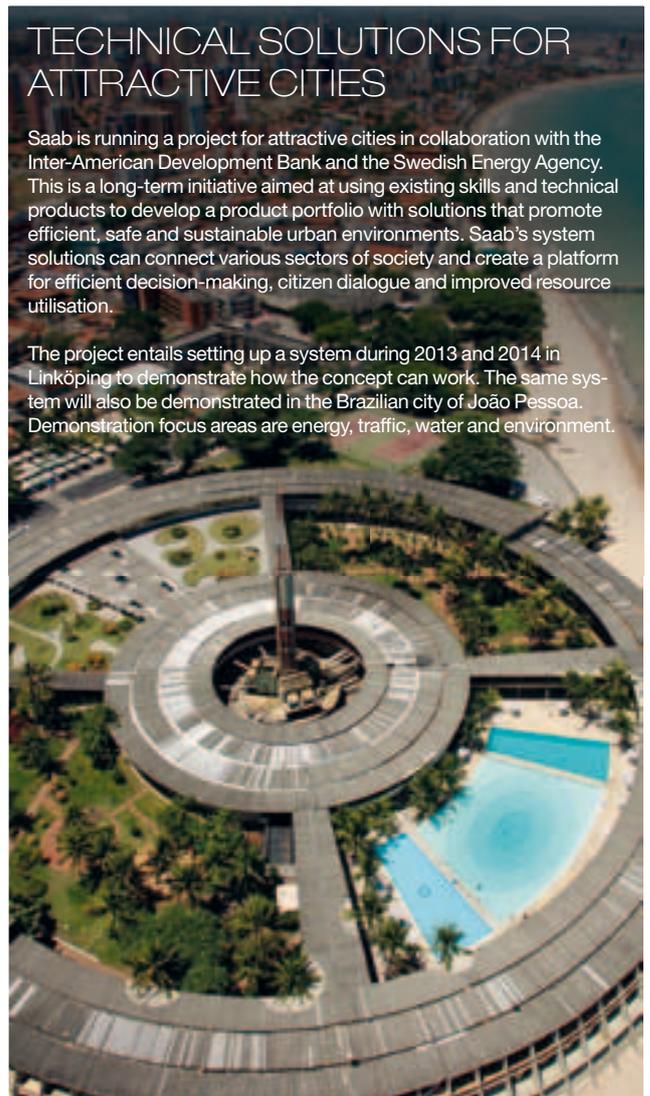
During 2013 C-leanship initiated a collaboration with a shipping company in Singapore. The robot will be tested in Swedish or Danish ports in February 2014 and will be put into use in Singapore during the second quarter of 2014.



## TECHNICAL SOLUTIONS FOR ATTRACTIVE CITIES

Saab is running a project for attractive cities in collaboration with the Inter-American Development Bank and the Swedish Energy Agency. This is a long-term initiative aimed at using existing skills and technical products to develop a product portfolio with solutions that promote efficient, safe and sustainable urban environments. Saab's system solutions can connect various sectors of society and create a platform for efficient decision-making, citizen dialogue and improved resource utilisation.

The project entails setting up a system during 2013 and 2014 in Linköping to demonstrate how the concept can work. The same system will also be demonstrated in the Brazilian city of João Pessoa. Demonstration focus areas are energy, traffic, water and environment.



# SUSTAINABILITY AT SAAB

## RESPONSIBILITY IS PART OF THE BUSINESS

Because many of Saab's projects run for over 30 years, our business is based on long-term thinking. Long-term business practices are closely linked to sustainable business practices. For us, sustainability and long-term thinking mean that we run our business in such a way as to maintain stakeholder confidence and that we contribute to the societies in which we operate. Ultimately, it's a matter of building a foundation for the future and achieving our long-term goals.

No company operates in isolation from society and all companies depend on, and impact, their surroundings. Most of the effects a company has are necessary for society – jobs, economic growth, provision of products and services, research and development – but all industries also have areas in which companies burden the environment in one way or another.

For us, being a responsible company is a matter of being aware of the parts of our business operations that burden society – taking responsibility for them by minimising their impact – while at the same time maximising their beneficial effects. Saab's goal is to form a picture through dialogue with our key stakeholders of our impact on the societies in which we operate, and to create confidence in the company and firmly establish our way forward. Confidence won through demonstrable results is an absolute prerequisite for Saab's ability to achieve its long-term goals.

### Priority areas

There are four cornerstones in Saab's overarching corporate responsibility model: Ethics, Society, Environment and Our People. We have been working actively in all of these areas for many years.

Saab established a Corporate Responsibility unit in 2012 to further strengthen its sustainability initiatives. The unit's main task is to ensure that Saab meets customer expectations. This includes the expectations of customers and partners, employees, owners and society at large. An important tool in this work is Saab's affiliation with the UN's Global Compact and its ten principles for sustainable business methods. These principles have been incorporated into Saab's Code of Conduct and guide our employees in their decision-making and daily work.

During the past year Saab maintained ongoing dialogue with stakeholders and participated in debates on technology and security, defence industry requirements and business ethics. This is one way to share knowledge and jointly discuss solutions in terms of how we can improve our sustainable business practices.

Several dialogues between leading Saab representatives were also held this year to establish the future agenda for Saab's sustainability work. As a result of these discussions, responsible export and our anti-corruption efforts are now even more prioritised sustainability issues. Saab's societal investments will be focused on innovation, education and improving development opportunities for young people. In the areas of environment and diversity (in which gender equality plays a significant role), we will continue to work to achieve our ambitious goals. These focus areas have been integrated as an essential part of Saab's business strategy.

### Responsible exports

As Saab has developed into a more export-oriented company, it has become natural for us to view our exports from a responsibility perspective. This is also something that our stakeholder groups expect us to do.

We often encounter, as do other companies, business environments that are very different from the one we are used to in Sweden and our area of the world. Our anti-corruption efforts and zero tolerance policy for unethical business practices are examples of how we deal with these issues.

Saab's Market Network Management unit is responsible for conducting counterparty due diligence and manages Saab's process for appointing marketing consultants and other business partners. The unit also conducts anti-corruption training for employees and marketing consultants and develops anti-corruption tools. Read more on page 37.

Saab established a new market area organisation in 2013 to increase its presence in selected markets. The new organisation places Saab employees in local markets, improving Saab's capacity to manage business processes and ensure that they follow Saab's ethical guidelines.

### Strict regulations

When it comes to exports in the broader sense, most people agree that international trade generally leads to development and prosperity. The use of weapons represents both the greatest protection against and the greatest threat to peace and security, so it is quite natural that the export of defence materiel needs to be surrounded by restrictions and regulations. To ensure that defence materiel is used in accordance with international law, the manufacture and sale of weapons and other materiel is always done within a strictly controlled framework.





Because these regulations are in place, we are confident that the export of defence materiel promotes security, technological development, job opportunities and growth in both the recipient country and in Sweden. In Sweden, the Swedish Agency for Non-Proliferation and Export Controls (ISP) manages control and compliance of defence materiel on behalf of the government. By international standards Sweden has strict export control regulations that include an assessment of the human rights situation in the recipient country. Final decisions on these issues are made on the political level through the democratic process, not by those of us working in the defence industry. In this respect, the Swedish export policy is on solid ground and is firmly anchored in the Swedish Parliament.

Saab also conducts its own assessment to evaluate individual deals and markets. We also participated in the UN's work to develop the international Arms Trade Treaty (ATT), which concerns the negotiation of regulations for producing and exporting countries as well as for importing countries. Saab believes it is essential to develop a clear global regulatory regime for trade in defence material, aimed at safeguarding human rights and international humanitarian law.

The UN negotiations were concluded on 2 April 2013. The international Arms Trade Treaty provides – for the first time in

**“RESPONSIBLE EXPORT AND OUR ANTI-CORRUPTION EFFORTS ARE EVEN MORE PRIORITISED SUSTAINABILITY ISSUES.”**

history – international standards for controlling trade in defence materiel and gives the international community an effective tool for combatting illegal arms trafficking. All 193 member states participated in the negotiations.

#### **Focus going forward**

Corporate responsibility is a strategic long-term commitment and part of Saab's business strategy. Our ambition is to set an example within business ethics, based on our established policy of zero tolerance for corruption. Our work with sustainability issues will be more distinctly integrated into operating activities, with a focus on priority areas: business ethics, education, innovation and established environmental and diversity goals. Saab will also continue to set up partnerships with operators that can help Saab actively contribute to a safe and sustainable society.



**Saab is 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 practices.

Saab's Code of Conduct can be found at [www.saabgroup.com](http://www.saabgroup.com).

**UN GLOBAL COMPACT**

**SAAB'S POSITION AND MEASURES TAKEN**

**HUMAN RIGHTS**

<b>Principle 1</b>	Businesses should support and respect the protection of internationally proclaimed human rights; and	Saab takes a clear position and global responsibility against violations of basic human rights and other abuse of people and the environment.
<b>Principle 2</b>	make sure that they are not complicit in human rights abuses.	Saab believes that it is important to develop clear, global regulations for trade with defence materiel aimed at safeguarding human rights and international humanitarian law. Saab worked actively on the UN's International Arms Trade Treaty, which entered into force in April 2013.

**LABOUR**

<b>Principle 3</b>	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	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.
<b>Principle 4</b>	the elimination of all forms of forced and compulsory labour;	Saab takes a clear position against forced and compulsory labour.
<b>Principle 5</b>	the effective abolishment of child labour; and	Saab takes a clear position against child labour.
<b>Principle 6</b>	the elimination of discrimination in respect of employment and occupation.	Decisions that concern employment, promotions, development and compensation shall be based on employees' job knowledge and competence. Such decisions shall not be based on irrelevant factors such as gender, age, ethnic origin, religious belief, physical disability, sexual orientation, union membership or political affiliation. In our work we will demonstrate respect for all individuals we come in contact with, regardless of differences.

**ENVIRONMENT**

<b>Principle 7</b>	Businesses should support a precautionary approach to environmental challenges;	Saab works actively with minimising environmental hazards and impact. Protecting the environment is a natural aspect of Saab's everyday operations in the development, manufacture and testing of products and systems. Environmental issues are managed and monitored through processes and routines within the operating systems.
<b>Principle 8</b>	undertake initiatives to promote greater environmental responsibility; and	Saab holds regular training sessions and information activities to increase understanding of environmental problems and improve environment-related skills. Priority issues in the environmental area are identified and analysed on a continual basis.
<b>Principle 9</b>	encourage the development and diffusion of environmentally friendly technologies.	Saab is researching whether technical solutions used in the aerospace and defence industry can be used to reduce environmental risks and impact in its own operations and in society in general. Saab participates with universities and other companies in various activities focused on spreading awareness of "green solutions". Saab also participates in major European development projects such as Clean Sky, which aims to develop solutions that reduce aircraft noise and emissions.

**ANTI-CORRUPTION**

<b>Principle 10</b>	Businesses should work against corruption in all its forms, including extortion and bribery.	Saab has zero tolerance with regard to all forms of bribes and corruption. We neither offer nor accept improper gifts or hospitality. We are committed to conducting ourselves in an ethically correct manner in everything we do, based on applicable legislation, our values and ethical rules and branch-wide codes of conduct.
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Read more about this on page 37.

## BUSINESS ETHICS

# ZERO TOLERANCE FOR CORRUPTION MEANS HIGH DEMANDS ON BUSINESS ETHICS

Saab's operations shall be distinguished by correctness and a high level of business ethics. Our Code of Conduct specifies the way we are expected to act with each other as colleagues, in contacts with customers and business partners and in society. We make clear that we have a zero tolerance policy with regard to violations of any kind. All new Saab employees receive training on our Code of Conduct.

### Many functions involved in Saab's compliance work

Overall responsibility for Saab's compliance programme rests with the Board of Directors through the Audit Committee, which annually monitors and evaluates the Group's business ethics. Evaluations focus specifically on (i) organisation, (ii) regulations and processes, (iii) risk analysis and (iv) education and training.

A special steering committee, the Ethics and Compliance Board, was established to lead and draw up guidelines for the company's ethics work, evaluate and decide on business ethics issues and monitor and follow-up violations. The Ethics and Compliance Board meets at least six times per year and is headed by the company's General Counsel, who reports to the board's Audit Committee.

Saab has an Ethics and Compliance unit responsible for overseeing, co-ordinating and developing corruption prevention efforts and providing expertise in the area.

The Group function Market Network Management (MNM) is responsible for ethical business due diligence investigations of counterparties and lead the procedures that apply to the engagement of marketing consultants and other business partners. MNM are also mandated to provide education and develop tools in anti-corruption.

Finally, Saab's Internal Audit department is responsible for monitoring the implementation of the Group's corruption prevention processes.

The Group function Market Network Management (MNM) is responsible for ethical business due diligence investigations of counterparties and lead the procedures that apply to the engagement of marketing consultants and other business partners. MNM are also mandated to provide education and develop tools in anti-corruption.

### We maintain our focus on training

Saab has during the year continued its training programme for all marketing and sales organisation employees on current legislation and the use of Saab's corruption prevention processes and tools. More than 100 people were trained this year in 15 separate sessions. Since June 2011, over 700 employees have been trained in around 55 sessions. The training programme is now being updated and we are reviewing the need to expand the target group to include people outside the marketing organisation.

The Board of Directors and Group Management also received anti-corruption training in 2013, under the direction of the General Counsel. The training session, approximately three hours in duration, dealt with topics including Swedish and international legislation, Saab's risk environment and the company's internal rules and regulations.

At the end of the year Saab rolled out a web-based anti-corruption training programme for all 14,000 Group employees. The programme is designed to specifically reflect the risks that arise in Saab's operations and is available in both English and Swedish.

### Our compliance work never stops

Saab's compliance programme will never be finished – work is continually being done to monitor how the programme is working and to identify areas for improvement. The decision was made during the year to strengthen our whistle-blower function by introducing a new system that allows external reporting via the internet and telephone. Work has begun on the new system and our goal is to begin implementation during the second quarter of 2014. Other initiatives underway include the development of additional tools for corruption risk analyses and an improved system for monitoring and auditing marketing consultants and other business partners.



## SOCIETY

# SOCIETIES GROW THROUGH EDUCATION

**Saab's education efforts range from homework assistance programmes to bilateral innovation alliances. Our ambition is to contribute to knowledge that benefits society as whole as well as Saab's operations.**

Saab wants to make a positive contribution to society. This involves everything from supporting children's homes to developing products that help the environment and improve people's security. A particular priority is education. One example of this is our support of the Likii Special Unit boarding school in Nanyuki, in the middle of Kenya, an institution that cares for around 120 orphans and disabled children who have been abandoned. Since Saab has operations in the area, we want to contribute to the local community by helping children and young people with education and the development of various skills.

Another example is DEEP (Diploma Employment Enhancement Programme), a vocational training programme that Saab operates in India. Training is focused on welding and aims to improve students' employability. The project also includes special education for girls with focus areas that include self-esteem improvement.

### **Saab works to foster interest in technology**

Saab supports a variety of initiatives to foster interest in technology among children and young people. In Sweden, for example, we support NTA (Science and Technology for All), which gives teachers the opportunity to do science and technology lab work with their students, who range from preschool age to ninth grade. In South Africa, Saab employees volunteer at Pretoria-area schools, helping with homework to improve students' maths, science and English skills. The homework assistance programme helps families unable to afford the extra expense of private tutoring for their children.

Saab also participates in Teknicsprånget (Technology Leap), an internship programme run by the Royal Academy of Engineering Sciences (IVA) in Sweden on behalf of the Board of Education.

Under this programme, Saab offers trainee posts to young people who have completed upper secondary science and technology programmes. The objective is to demonstrate what the engineering profession is like so that more young people apply for university level technical programmes. Saab also collaborates with several lower and upper secondary schools to get kids interested in technology. As an example, in 2009 Saab started a national college preparatory technology programme in co-operation with the Vasa secondary school in Arboga, Sweden aimed at getting more young people interested in technology and maths and generating interest in Saab's varied high-tech business. Two classes have graduated so far, the most recent one in June 2013.

### **Innovation alliances**

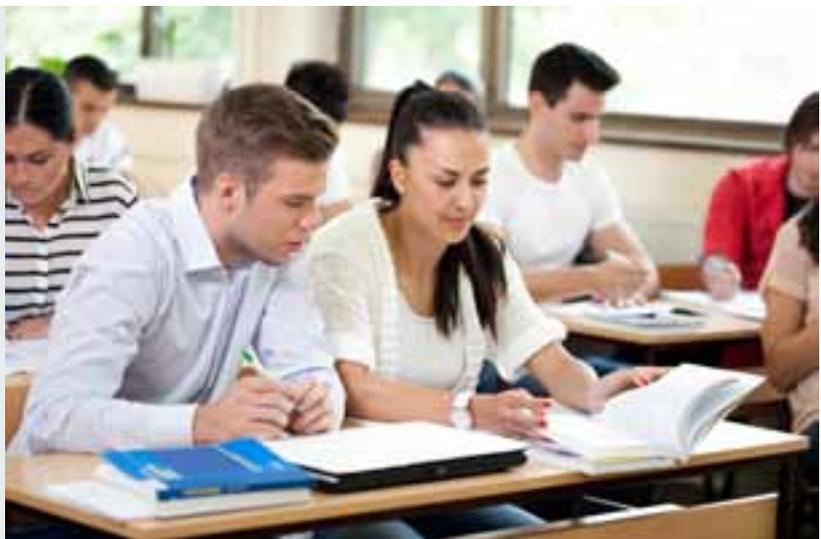
Based on Sweden's highly ranked development and innovation capacity, Saab took the initiative to use bilateral innovation alliances to share information on the Swedish innovation system. One example is the Swedish-Brazilian research and innovation centre CISB, where industry works with universities and public sector organisations. CISB projects include awarding 100 scholarships to Brazilian students each year to enable them to travel to Sweden and study the Royal Institute of Technology (KTH), Chalmers University of Technology and other institutions. Training for Brazilian army officers was also initiated in 2013 under the CISB framework, jointly organised by Saab, Linköping University and the Swedish Armed Forces. It is just this type of interplay between the public sector, academia and industry that characterises the Swedish innovation system.

Saab also contributes to knowledge development in the markets where we operate by outsourcing parts of research, development and production to subcontractors in those countries. This type of technology transfer is going on in places such as India and Brazil.

Saab's ambition is that our initiatives contribute to knowledge development that spurs the growth of societies. Our efforts also benefit Saab by increasing the supply of skilled labour.

### **Collaboration with about 50 universities**

Saab collaborates with about 50 universities and educational institutions in Sweden and nine other European countries, including Switzerland, Spain, France and Romania. Saab also has a close collaboration with the Massachusetts Institute of Technology in the US.



## ENVIRONMENT

# ALLIANCES FOR SUSTAINABLE SOLUTIONS

**Saab actively works to reduce its impact on the environment and climate. A key component of this work is collaboration with the industry to create sustainable solutions for the future. The most important environmental aspects for us are phasing out hazardous chemicals, minimising environmental risks and reducing the environmental impact of our operations and products. Saab also develops products that help improve the environment (see examples on pages 32–33).**

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, we have greatly reduced the use of hazardous substances such as organic solvents, trichloroethylene, chromium and cadmium.

Each year the business areas update their strategy documents and action plans for phasing out hazardous substances, a process that will proceed for many years. The Environmental Council monitors this work on a regular basis.

Our products are not currently covered by the EU's RoHS directive (Restriction on the use of certain Hazardous Substances in electrical and electronic equipment), although certain products may eventually be covered. We are working to reduce the use of the substances regulated by the directive, and our work with hazardous substances corresponds well with the requirements of the EU's chemicals law – Registration, Evaluation and Authorisation of Chemicals (REACH).

In 2011–2013, Saab acquired and tested an IS/IT tool to manage information on the chemicals contained in its products. Implementation will begin in 2014. The tool will also be used to verify that the products meet current chemical requirements imposed by law and by customers.

Environmental issues covered by legislation are reported in Note 48.

To lower its CO<sub>2</sub> emissions, Saab works continuously to reduce energy consumption at its plants and to reduce the amount of business travel and number of test flights.

Saab was ranked on the CDP (Climate Disclosure Project) Leadership Index for six consecutive years (2006–2011). 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 corporate governance related to climate reporting issues. Unfortunately, we did not score well enough to make the Leadership Index in 2012, chiefly because our reporting was not sufficiently explicit. We are working to become better at meeting the requirements. Information about CDP and our complete report is available at [www.cdproject.net](http://www.cdproject.net).

We have many suppliers around the world. Because we purchase from suppliers a large share of the components and subsystems used in our products, 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, [www.saabgroup.com/supplier](http://www.saabgroup.com/supplier). In 2013 the routines for imposing and monitoring suppliers' environmental requirements were given higher priority, especially since we are introducing uniform procurement and supplier processes for Saab units.

### Overall ambition

Our climate objective is to reduce our relative CO<sub>2</sub> emissions by 20 per cent during the period 2007–2020. The value relates to our total annual sales in MSEK.

We are also working to identify and phase out the use of hazardous chemicals that pose unacceptable risks and substances that may be subject to regulation. We are analysing the need for hazardous chemicals and communicating our findings internally and to our suppliers.

### Results

#### Climate change

During the period 2007–2013, our relative CO<sub>2</sub> emissions decreased from 2.7 to 2.4 tonnes per MSEK. Vehicles, aircraft, business travel and goods transports account for 58 per cent of



## THREE QUESTIONS TO

Sofie Jönsson, Environmental and Chemical co-ordinator at Business Area Dynamics

### Tell us about the phase-out!

“The Dynamics business area's environmental goals and long-term strategy determine which substances we will be phasing out. We're looking in the market for alternatives that have fewer health and environmental effects, and in some cases we're developing our own products. Since we manufacture pyrotechnic substances and primers, we can develop our own lead-free materials and substances. But we're also working on phasing out chromates, cadmium and trichloroethylene.”

### How far have you come?

“At the moment we're testing and qualifying surface treatments that are free of hexavalent chromium for all material. Due to the products' various technical requirements, we need to develop different alternatives for different products. When it comes to new products we've already ruled out hexavalent chromium.”

### What are your plans for 2014?

“We will continue to qualify replacements and phase out hazardous substances. We will develop phase-out plans once we have qualified options.”

emissions, with the rest attributable to machinery, processes and electricity and heating for our facilities.

An energy saving project was launched in 2009 to cut energy consumption at Saab's properties in Sweden in half by 2015. So far, a 20 per cent reduction has been achieved. Several measures have been implemented under this project, including a decrease in premises size, more efficient operations and various types of technological investments. During 2013 several business areas published articles on the intranet on the best methods for reducing climate impact. We also improved our car-pool portal and climate-adapted Saab's Travel Directive.

#### Hazardous chemicals

Several business areas have decided to avoid using hazardous substances in new development projects whenever possible. Pursuant to business area action plans, several projects to phase out hazardous chemicals were initiated during the year. These mainly concern the phase-out of chromium, lead, cadmium and trichloroethylene.

#### 2014 ambitions

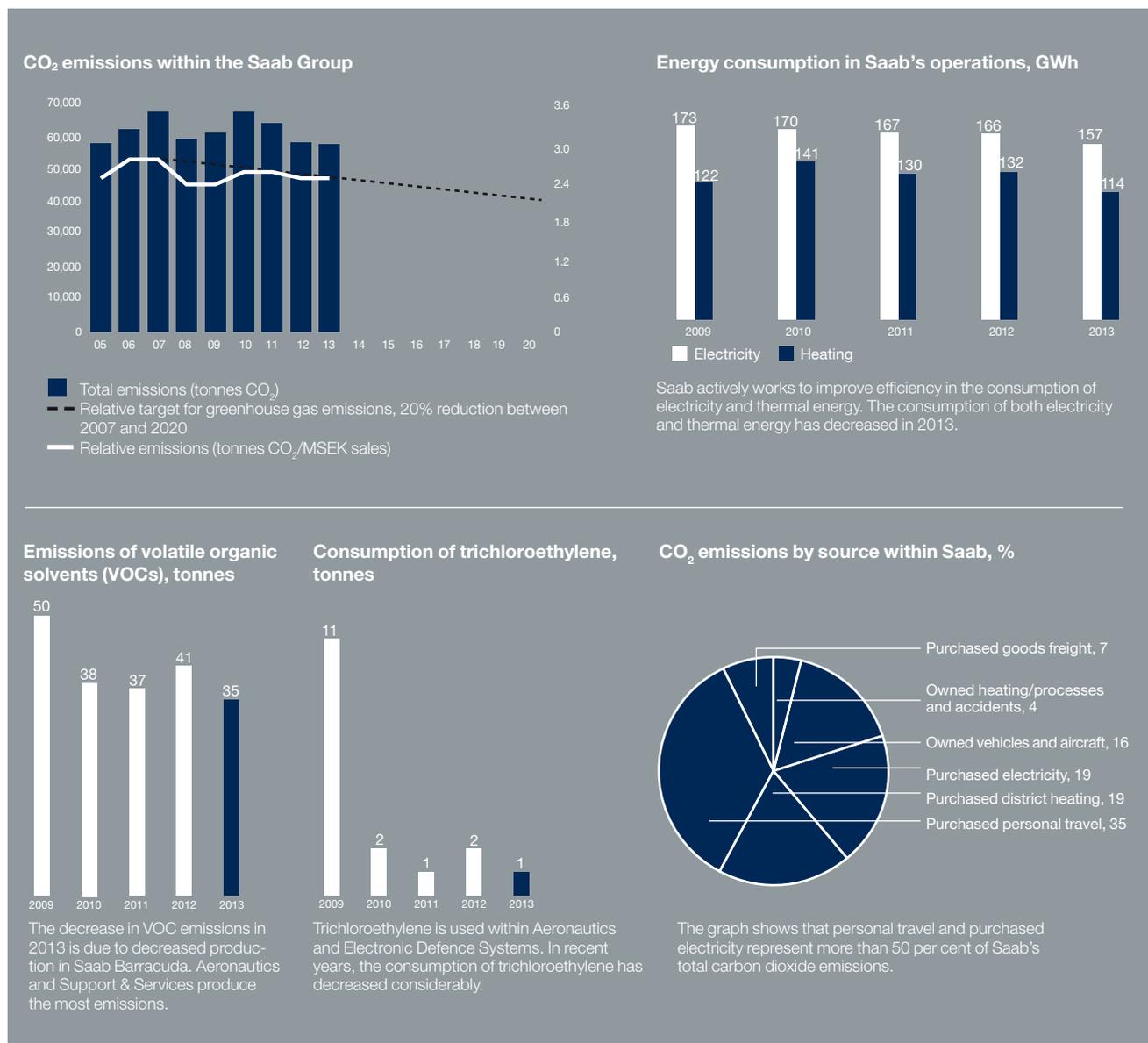
##### Climate change

Many measures that reduce CO<sub>2</sub> emissions will be implemented as part of our energy saving project. We will also continue to provide information on climate issues to our employees.

In terms of climate reporting, our ambition is to regain our position in the CDP's Leadership Index. A project will be launched in 2014 to examine options for operating Gripen E on biofuel. FMV, the US Air Force, General Electric, Saab and a biofuel manufacturer are participating in the project.

##### Hazardous chemical substances

In most cases, the phase-out efforts made in 2013 will continue during 2014. More projects will also be initiated, in accordance with the business areas' action plans.



## EMPLOYEES

# PERFORMANCE DRIVEN CULTURE

Efforts were stepped up this year to develop a more business-oriented organisation characterised by a results focus, business understanding and strong leadership. To this we are now adding more clear-cut methodology to give tangible shape to how our individual goals best fulfil the company's long-term business strategies.

Employees are the foundation of Saab as a knowledge-based company. Their skills and proficiencies are essential to our ability to develop business and achieve set objectives.

Retaining and developing existing employees and strengthening the organisation with new talent are therefore critical elements of our business strategy. For us this involves a targeted effort to develop a business-oriented organisation that offers excellent advancement opportunities for all employees.

### Step by step towards a more business-oriented organisation

Competition in the global market is fierce, and at Saab we have a shared responsibility to improve efficiency and sharpen our skills in developing our business and customer relationships. It is essential that we create a more performance driven culture, one which clarifies

the connection between each employee's individual development plan and the company's business plan. A work procedure was implemented during the year under which each employee works with his or her supervisor to identify relevant individual goals and produce a plan for achieving them. Efforts and goals are systematically followed up twice per year.

### Good leadership is becoming even better

Skilled, committed leadership is a critical success factor for Saab to remain a successful and innovative company – leadership that cultivates a culture that encourages all employees to strive to always go the extra mile. As a first step, Saab managers identified four focus areas where leadership can be strengthened. In the next step, 150 Saab managers from various parts of the organisation participated in workshops and were tasked with formulating the expectations placed on management in order to create a more performance driven organisation. The management groups of each business area and market area then specified in practical terms how these expectations are to be achieved.

We also continued with our far-reaching leadership development programme during the year. The programme is comprised of various modules dealing with subjects such as strategy, change management, communication and business culture and individual leadership.

### Strategic talent management for the future

Crucial reasons that many of our employees rank Saab highly as an employer are a strong belief in the company's future and pride in working for Saab. Our ambition is to also be the most attractive employer externally among current and future talent. We are therefore pleased to note that Saab entered the top-10 list of the most attractive future employers in a 2013 survey of Sweden's engineering students<sup>1</sup>. This is of paramount importance – competition for technical expertise is especially fierce, while at the same time Saab places high and specific demands on the talent we recruit.

New talent is recruited on an ongoing basis. Currently, the greatest skill needs are for systems engineers and engineers with a few years' work experience. In addition to collaborating with universities and colleges and participating in job market days to establish connections with students, Saab also offers trainee opportunities and thesis projects which we view as excellent ways to introduce new employees to the business.

### Flexible resource balancing provides new opportunities

To be able to adapt the organisation based on variable resource requirements, we need to have processes in place that provide an overall picture – a picture of the expertise and resources we have in place versus what and where the needs are. Measures are then implemented based on this overall picture – everything from recruitments and individual solutions to reducing the number of external consultants and offering exit solutions to redundant personnel. In this we benefit from being a large organisation, as reduced resource requirements in one area are often balanced by increased needs in another area.

1) Företagsbarometern (Swedish Student Survey), Universum's annual survey in which 20,000 students rank their ideal future employer. In 2013 Saab placed eighth among future engineers, a huge step up from last year's 25th place.

## TECHNOLOGY WOMEN OF THE YEAR

Saab's 2013 Technology Woman of the Year awards went to Marie Lagström and Emelie Andrén Meiton for their Womengineer.org website, which aims to inspire young females to study engineering. The site offers comprehensive information on the various career and vocational courses of study that lead to engineering jobs. Their ambitious goal: equal numbers of female and male engineering graduates by 2030.

"The prize winners' goal is well in tune with the work Saab is doing to attract more women to the engineering profession, and is one of the reasons we organised the Technology Woman of the Year award. Women like this year's prize winners are highly instrumental in terms of increasing the pace. At Saab, the share of salaried female managers has risen from 16 to 25 per cent over the past five years," said Lena Eliasson, Senior Vice President and Head of Group Human Resources at Saab.

The awards were presented at the Universum Talent Excellence Summit & Awards ceremony, where Lena Eliasson also received a special award for the work she and Saab have done with employer branding.



## Towards greater internationalisation

One key element of our growth strategy is increasing our market presence, which makes our organisation more international by expanding our presence in local markets. 20 per cent of our employees are now outside of Sweden, representing an increase from 2,140 people in 2010 to 2,798 at the close of 2013.

The global nature of our operations is also reflected in the diversity within the company, with around 60 nationalities represented among our employees.

## More female managers

For us, it's a matter of common sense – being a company that offers equal opportunities to men and women makes us a more innovative and profitable organisation. Simply put, a gender-equal Saab can perform better, and improving gender equality is therefore part of our strategy for achieving the company's growth and profitability targets. Our goal is to have at least 30 per cent female managers by the close of 2015. Parallel efforts are underway to improve the gender balance in the organisation as a whole, where the current figure is 22 per cent female employees in total.

Increasing the share of women requires not only the focus of Group Management – concrete measures and greater awareness of the target's importance are also necessary. Possession of the requisite skills is the decisive factor in all recruitments, but we are adding a structured process to this that widens the recruitment pool.

We also place great emphasis on identifying female talent within our internal talent management process and during the recruiting process, during which, for instance, at least one woman is always called in to interview for each vacant managerial position. The gender perspective is a natural part of our leadership development training programmes, and managers are evaluated on how well they promote workplace equality. Things are slowly but surely moving forward, and an additional 43 women were hired for management positions throughout the organisation during the year. As at the close of 2013, 25.1 per cent of Saab's managers are women.

## BETTER BUSINESS WITH MORE WOMEN IN LEADING POSITIONS

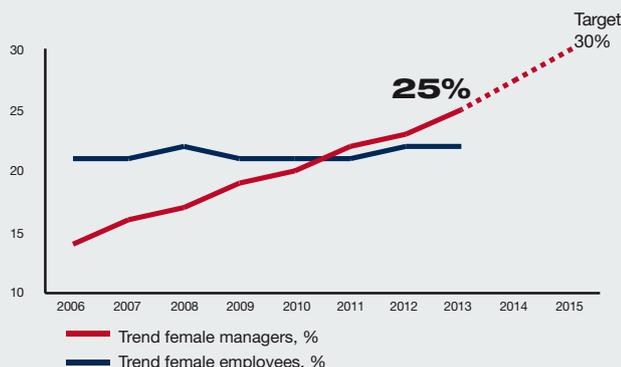
Saab's participation in the year-long Battle of the Numbers (BoN) project is based on its conviction that gender equality improves the company's performance and competitiveness.

"For Saab, workplace equality isn't a project – it's a key component of our strategy. Companies operate to make money, and gender-equal companies are more profitable. This is a fact and is something I expect all Saab employees to support and promote – just as they do our other strategic objectives," said Håkan Buskhe, Saab's President & CEO.

Projects like BoN are important for several reasons, including the basic postulate that measuring something increases significantly the probability that action will be taken. Also, Group Management is now placed in charge of promoting efforts to create workplace equality. In Saab's case, focus to date has been on attracting more women to management positions. Putting workplace equality high on the agenda is a wakeup call for many people and serves as an incentive to dismantle old recruiting structures to make way for new ones.

Ten largecap Swedish companies participated in BoN. Together, these companies employ nearly 570,000 people and share a belief that they do good work with gender equality issues – but want to become even better.

### Trend in percentage of female managers



## POPULAR TRAINEE PROGRAMME FOR TOMORROW'S LEADERS

Saab's customised trainee programme targets recent graduates and young talent with a few years' work experience. We are looking for people who have ambition as well as the potential to become future leaders within the Saab Group. We use a basically traditional approach that introduces new employees to the business so they learn about its various areas, products and services. To increase awareness of what it's like to work in various areas, training is conducted both in Sweden and in other parts of the world. The work is then alternated with courses, lectures and company visits together with other trainee programme participants.



The 2012 trainee programme gave engineer Emma Berglund a good start at Saab as well as an exciting and unique traineeship in India. Today, Emma works as project manager for land and marine radar systems (EDS).

"One great thing about Saab's trainee programme is that you're given a permanent position right away, which provides a clear focus for structuring all of the various activities. The programme also includes many supplementary training courses that are beneficial in terms of building business relationships and relationships with colleagues."

Saab's trainee programme is among the most popular<sup>1</sup> among applicants. The next programme will commence in the spring of 2014; recruitments were made during the autumn of 2013.

1) TraineeGuiden

## FLEXIBLE RESOURCE BALANCING – HOW IT WORKS IN PRACTICE

One positive thing about working in a large organisation with quite similar operations is that there are many opportunities to temporarily change job assignments and locations. Niklas Eriksson at EDS in Gothenburg is a good example of how flexible resource balancing can lead to personal development as well as cover temporary resource requirements. Niklas took the opportunity to work at a different location a few days per week when a resource requirement arose in Järfälla.

“I like to work with different things, and I like new challenges. The job in Järfälla deals with automated testing, which I thought made the offer particularly interesting.”

### What do you think is the best thing about this approach?

“Well, of course it’s a positive thing to be able to be where the need is the greatest. It’s also good for EDS that we who work in the business area get to know each other. It builds trust, and sharing resources isn’t such a big step when the need arises again. We also know more about the expertise we have in place and we make valuable personal contacts.”



### Comments on 2013 results

The latest employee survey was conducted in January 2014. Among other things we measure employees’ views of Saab as an attractive employer, which had a result of 75.

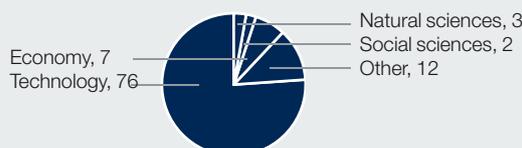
Key data	2013	2012	2011
<b>Total number of employees</b>	<b>14,140</b>	<b>13,968</b>	<b>13,068</b>
Sweden	11,342	11,125	10,321
– Linköping	5,035	4,768	4,406
– Järfälla	1,314	1,291	1,214
– Gothenburg	1,250	1,296	1,205
– Karlskoga	777	772	718
– Arboga	560	607	611
– Other cities	2,406	2,391	2,167
South Africa	729	761	1,064
USA	662	705	652
Australia	297	329	324
UK	215	184	147
Holland	133	139	4
Czech Republic	123	137	143
Germany	97	85	26
Norway	95	102	55
Switzerland	60	51	46
Denmark	59	67	68
Canada	55	54	14
India	54	37	44
Finland	50	57	74
Kenya	45	42	34
Percentage women, total, %	22	22	22
Number of consultants	1,376	1,665	1,368
– of which external	884	1,145	1,044

### HR-related key data for Sweden

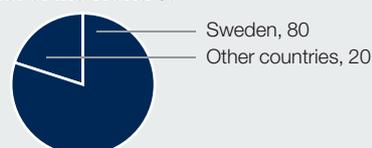
	2013	2012
Employer of choice – externally (Universum)	8th	25th
Employer of choice – internally	75 <sup>1)</sup>	75
Share of female managers (SE), %	25.1	22.1

1) Based on a global employee survey conducted in January 2014

### Educational background, %



### Number of employees in Sweden vs. Rest of the World %



# FINANCIAL REVIEW 2013

Saab AB (publ.), corporate identity number 556036-0793, has its registered address in Linköping, Sweden and its head office at Gustavlundsvägen 42, Bromma. The company's mailing address is Box 12062, SE-102 22 Stockholm, Sweden and its 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 per cent of the votes. The share of the votes was 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 2,736,200 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 prepared its corporate governance report separately from its annual report. The corporate governance report, found here on pages 122–130, includes the Board of Directors' report on internal control of financial reporting, which includes information for both the Parent Company and the Group. See pages 126–127.

## Operations

As one of the world's leading high technology companies, Saab offers products, solutions and services for military defence and civil security. In 2013 the Group had customers in over 100 countries, with research and development conducted mainly in Sweden. Most of our employees work in Europe, South Africa, the US and Australia, but we also have people on site in offices in more than 30 countries around the world.

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.

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.

## Dividend and Dividend Policy

### Proposed 2013 dividend and dividend policy

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

For 2013 the Board of Directors proposes a dividend of SEK 4.50 (4.50) per share, representing 65 per cent (30) of 2013 net income.

## Outlook 2014

In 2014, we estimate that sales will be in line with 2013.

The operating margin in 2014, excluding material non-recurring items, is expected to be somewhat higher than the operating margin 2013, excluding material non-recurring items.

For further comments concerning the Group's result, financial position and cash flow please see pages concerning the Business Areas, 45–50, as well as comments on the financial statements on pages 59–69.

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## Long-term Financial Growth Performance in 2013

### Growth

*Goal:* Organic sales growth averaging 5 per cent per year over a business cycle.

*Result:* Sales during 2013 decreased by 1 per cent compared to 2012. Acquisitions contributed to the increase in sales by 2 per cent, however offset by a negative impact from currency effects of 1 per cent.

*Comment on results:* We saw a lower activity level primarily within the business area Dynamics which was affected by budget constraints and delays in customers' investment processes. This was compensated by growth in the business areas Aeronautics and Combitech.

### Operating margin

*Goal:* Saab's margin goal – operating margin after depreciation and amortisation (EBIT) of at least 10 per cent – is formulated as an average over a business cycle.

*Result:* Reported operating income amounted to MSEK 1,345 (2,050) and the operating margin was 5.7 per cent (8.5), including a non-recurring item of MSEK 231 related to a lost legal dispute in Denmark related to DACCIS. Excluding material non-recurring items the operating income amounted to MSEK 1,576 (1,843) and the operating margin was 6.6 per cent (7.7).

*Comment on results:* Additional efficiency measures were implemented during the year in all business areas. The purpose is to maintain and strengthen the efficiency in current market conditions. The efficiency improvements are expected to amount to MSEK 500 by the end of 2014. The business area Electronic Defence Systems made continuous investments in product development throughout the year to strengthen the product portfolio, moreover cost for efficiency improvements also impacted the result, leading to a loss for the business area.

### Equity/Assets ratio

*Goal:* Saab's goal is an equity/assets ratio exceeding 30 per cent.

*Result:* The equity/asset ratio, at year-end 2013, amounted to 43.8 per cent (39.0).

*Comment on results:* Revaluation of net pension obligations had a positive impact on equity, which led to a strengthened equity/asset ratio.

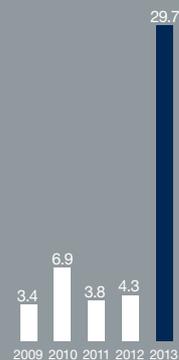
# AERONAUTICS

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.

## 27%

share of sales

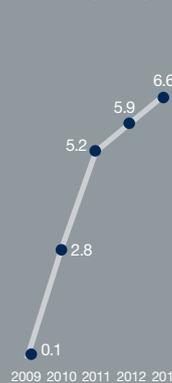
Order bookings, SEK billion



Sales, SEK billion



Operating margin, %



Key figures

MSEK	2013	2012
Order bookings	29,677	4,289
Order backlog	34,113	11,305
Sales	6,869	6,076
EBITDA	603	592
EBITDA margin, %	8.8	9.7
Operating income	456	359
Operating margin, %	6.6	5.9
Operating cash flow	-314	-425
No. of employees	3,219	2,997

### Services and solutions

- Aeronautics offer the Gripen fighter – extremely cost-efficient, offering continuous upgrades and a level of performance that meets the stringent requirement of armed forces.
- The Skeldar unmanned helicopter system with modular design.
- Aeronautics is also subcontractor to commercial aircraft producers and, because we deliver mainly composite parts, our expertise in handling this material is a key factor.

Aeronautics includes the following business units: Aerostructures, Gripen E, Gripen C/D, TUAS and System & Technology.

### Driving forces

Growth within military aviation is driven by governments looking to procure combat aircraft offering better performance, greater flexibility and improved overall economy. The civil aircraft manufacturing industry is driven by the growth of passenger traffic, the need to upgrade existing fleets and the need for new aircraft. Growth in the civil aviation sector fluctuates more with the economy than the defence materiel industry does.

### Orders received

Order bookings in 2013 included orders from the Swedish Defence Materiel Administration (FMV) for the development of Gripen E and serial production of 60 Gripen E for Sweden, of which about SEK 25.4 billion was related to Aeronautics. FMV also ordered upgrades of the current Gripen C/D fleet and reserve materiel for the years 2014–2016.

An order was received for integration of the weapon system Meteor on Gripen E.

Order bookings also included new orders of about SEK 2.9 billion for deliveries to the Boeing 787 programme and the Airbus A350, A380 and A320 programmes. This included a contract with Airbus to become a supplier for the A350-1000 regarding design, development and manufacturing of the flap support structures. A first contract was signed with the Spanish Navy regarding the use of the unmanned aircraft system Skeldar UAS during the EU mission in the Gulf of Aden.

Orders received, where the order sum exceeded MSEK 100, represented 98 per cent (77) of total order bookings.

### Sales, income and margin

Sales increased in 2013 compared to 2012 as a result of a higher activity level related to the development of Gripen E. The operating margin in 2013 increased compared to 2012, mainly due to efficient project execution and decreased amortisations. At the same time, costs of rationalisation measures were recognised. The rationalisations mainly consist of a competence shift programme.

Markets outside Sweden accounted for 29 per cent (39) of sales.

### Cash flow

Operating cash flow was negative during 2013 mainly due to timing differences in milestone payments related to the development of Gripen E and upgrades of the Gripen C/D system.

### Employees

The number of FTE's increased in 2013, as a result of a higher activity level in the Gripen E development.

# 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 unmanned underwater vehicles for the offshore industry. Products include Carl-Gustaf, RBS 70 and RBS 15.



# ELECTRONIC DEFENCE SYSTEMS

Electronic Defence Systems offers a product portfolio comprising airborne early warning systems as well as 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 improve flight mission efficiency and flight safety. Products include Giraffe AMB, Erieye, Arthur, BOL and IDAS.

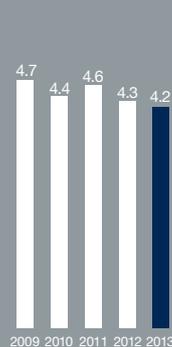
## 16%

share of sales

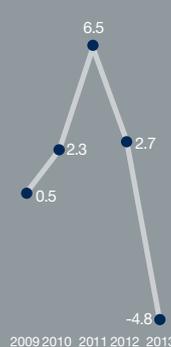
Order bookings, SEK billion



Sales, SEK billion



Operating margin, %



Key figures

MSEK	2013	2012
Order bookings	7,620	2,739
Order backlog	8,764	5,442
Sales	4,161	4,276
EBITDA	287	538
EBITDA margin, %	6.9	12.6
Operating income	-201	117
Operating margin, %	-4.8	2.7
Operating cash flow	213	-238
No. of employees	2,620	2,620

## Services and solutions

The operation meets customer demand for solutions for surveillance and detecting, localising and protection against various types of threat. The product portfolio includes airborne, land-based and naval systems in radar, signals intelligence and self-protection. The operations also comprise avionics that improve flight mission efficiency and flight safety.

- Sensor systems Erieye, Carabas, Arthur and Giraffe AMB.
- Electronic warfare systems, including IDAS, Camps, BOL and LEDS.
- Avionics, including surveillance, display and digital recording systems.
- Flying surveillance systems, including AEW&C (Airborne Early Warning & Control).
- Saab Sensis expertise in various types of radar upgrades.

Electronic and Defence Systems includes the following business units: Surface Radar Systems, Avionic, Airborne Surveillance Systems, Electronic Warfare Systems, Sourcing and Production and Future Sensor Systems.

## Driving forces

Multinational missions and new technology drive the need for open architecture, system integration and interoperability. Interest is increasing in sustainable solutions that prioritise sensors and command and control capabilities.

## Orders received

Orders bookings included orders from FMV for the development of Gripen E and serial production of 60 Gripen E for Sweden. The total order value related to Electronic Defence Systems amounted to approximately SEK 3.2 billion. FMV also ordered an upgrade of Sweden's ground based air defence.

Two orders were received regarding upgrades of the Erieye AEW&C Mission System in Brazil. An order was also received

for signal-sensor equipment for the Brazilian border security programme Sisfron.

Three orders were received for self-protection equipment for the German Air Force's Tornado fleet. Two orders were received for the serial production of an integrated electronic warfare self-protection system for installation on the Indian Army's and Air force's Advanced Light Helicopter.

A contract was signed with Daewoo Shipbuilding and Marine Engineering Korea, for development and integration of combat management and radar systems on a new frigate for the Royal Thai Navy.

Orders received, where the order sum exceeded MSEK 100, represented 70 per cent (37) of total order bookings.

## Sales, income and margin

The main reason for the decrease in sales in 2013 compared to 2012 was a low level of order bookings in 2011 and 2012.

Markets outside Sweden accounted for 69 per cent (76) of sales.

The operating loss in 2013 was mainly attributable to increased investments in product development projects, costs for rationalisation measures and a different project mix compared to 2012. During 2012, a reduction in the potential earn-out liability related to the acquisition of Sensis in 2011 contributed with MSEK 154 to the operating income.

## Cash flow

Final payments related to the completion of projects, as well as timing differences in milestone payments had a positive impact on operating cash flow in 2013.

## Employees

In September, Saab announced its intention to reduce headcount by 150–175 employees in Gothenburg, Sweden. This will be achieved through a competence shift programme. The reductions are the result of decreased business volumes and the current technology shift.

# SECURITY AND DEFENCE SOLUTIONS

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



# SUPPORT AND SERVICES

Support and Services delivers support solutions to customers in the defence, civil security and civil aircraft operating industries. The solutions include technical maintenance, Life Cycle Logistics, spare parts, and products and services that make it easier for customers to operate in remote locations with limited infrastructure. Products and solutions include 340 MSA reconnaissance aircraft, the CBRN warning system and mobile camps and field hospitals.



# COMBITECH

Combitech, an independent subsidiary within the Saab Group, is one of Sweden's largest technology consulting companies. Combining technology with cutting-edge expertise in the environment and security areas, we create solutions for our clients' specific needs.



# RISKS AND RISK MANAGEMENT

Saab's business generally entails significant investments, projects delivered over long periods of time, and high-tech product development or refinement. Operations involve customer and supplier relationships, joint ventures and other corporate alliances as well as Saab's own business activities in many countries.

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.

Our 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 52–54 for more information on the operating risks.

## Managing risks

Significant identified risks are managed continuously at all levels of the organisation and in strategic planning. Various guidelines, policies and instruments govern the management of significant risks. In addition, Saab has an internal audit unit that serves as a dedicated resource to independently audit the effectiveness of a selection 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 2013

In 2013 we worked with training and following up the introduction of the harmonised risk evaluation process implemented at Saab. Focus has been on the operating processes and project execution. Risk management work was expanded in 2013, compared to 2012, to cover additional areas within line operations and support processes.

## 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 main-

tain 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. Saab also has an extensive pension obligation managed by Saab's Pension Fund. 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

The predominant plan in Sweden is the ITP plan under collective agreements adopted by the Confederation of Swedish Enterprise and the Negotiation Cartel for Salaried Employees in the Private Business Sector (PTK). Saab Sweden has three different ways of securing the defined-benefit plans. They are secured as liabilities 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 4,595 (4,346) as of 31 December 2013, compared to an obligation of MSEK 5,793 (6,492) according to IAS 19, or a solvency margin of 79 per cent (67).

To manage the pension liability, the Saab Pension Fund was established in 2006 and capitalised with the corresponding PRI liability. The Group's obligations are calculated on an actuarial

## FOCUS FOR RISK MANAGEMENT 2012–2014

### 2012

Training, follow-up and completed introduction of the harmonised risk management process. Efficiency improvements to the production development process.

### 2013

Internal focus on increasing understanding of the requirements of local markets. Also ongoing provision of training for Saab employees and partners about our anti-corruption work. Also continuous improvement of the overall risk assessment process.

### 2014

Continued implementation of measures to streamline development processes, including through the use of the product database that was introduced in 2013. Strengthen our whistleblowing function and increase the general security awareness among all employees.

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.

**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.

**Developing and introducing 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 radar systems, command and control systems, tactical weapons, UAV systems and electronic warfare systems. One example of acquired technology is the 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 associated with developing and introducing new systems and products are the failure of self-developed products to meet market demands, thereby failing to yield the return estimated at the time the decision was made.

*Management of development and introduction of new systems and products*

Implementation of measures to further improve the efficiency of our development processes continued during 2013. The further developed portfolio management process was used actively on an overall level during 2013 to take decisions on investment prioritisation from both the market and profitability perspectives. Product roadmaps (i.e., plans for further development of product) are now being established for the full life-cycle of all products. This provides greater opportunities for internal governance and prioritisation of product development. During 2013, Saab's new product database with more than 500 products grouped in product areas, was launched. The product database is linked to Saab's CRM system and provide strong support for the new market area organisation. Saab also continued to work in 2013 with streamlining product development through modularisation, allowing new customer demands to be met more quickly and less expensively.

Early identification of a launch customer is an essential element to reducing the risks associated with the development of new products. To improve business case precision, heightened demands now require clear identification of a launch customer at the time the investment decision is made.

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 than ten

years. 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. Our success depends on the ability to offer cost-effective high technology solutions, and also in some cases on participation in the customer-country's economy through various forms of industrial co-operation.

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 or the costs run significantly higher.

*Management of long-term customer projects*

A majority of all long-term customer projects include significant development work, which is associated with risk. 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, the "Winning Business" process. This process includes a comprehensive analysis of the risks in the project and demands for management of risks that occur. During 2013 we have continuously worked to improve the process. The process has been adapted to changes in Saab's internal governance and to new external demands. The Winning Business process has also been adapted to the market area organisation that was introduced in January 2013.

Regular project reviews are conducted during the project implementation stage using various types of reviews, e.g., design reviews, project reviews, decision reviews, etc. An important element of this is to identify risks and assess them along with measures taken to mitigate 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 onerous contracts as well as the valuation of inventories. The outcome of technical and commercial risks may affect income. We are working continuously to improve this process and ensure its implementation. In 2013 we worked continuously to secure the implementation of the process through supportive education and ongoing improvements. These process improvements will continue in 2014, including adaptation to new external and internal demands.

**Environmental risks and liabilities**

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

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

*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. We apply strict routines for risk assessment, supervision and control of chemicals in relevant business areas. Well-established 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. In 2013, several activities have been initiated to meet the anticipated prohibition on the use of certain hazardous chemicals, according to the REACH chemicals legislation.

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).

**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 relationships with customers and other stakeholders on all continents. Our commitment is to act in an ethically correct manner 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 involves the breaking of our commitment.

*Management of compliance risks*

Our Code of Conduct is based on OECD guidelines and the UN Global Compact. All employees receive Code of Conduct training.

A cornerstone of our compliance work is that every business transaction and market activity shall be preceded by a corruption analysis. To facilitate the analysis, Saab has developed a Corruption Risk Assessment Tool that helps single out factors that typically are designed to influence corruption. All employees within the marketing and sales organisation are trained in the significance of the requirement that every business manager perform a corruption assessment in connection with every business transaction. The training also includes knowledge of existing legislation, rules and regulations and Saab's processes for hiring consultants and other advisors.

Use of marketing consultants and other advisors is customary in a complex world. At Saab, every such co-operation 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 also offers training for the marketing consultants it retains. Undergoing this training and signing a commitment to follow Saab's guidelines are prerequisites for further co-operation.

In 2013 the current training programme was supplemented with web-based anti-corruption training, which is mandatory for all Saab employees. The programme is designed to specifically reflect the risks that arise in Saab's operations and is available in both English and Swedish.

In 2014 we intend to strengthen our whistle-blower function by introducing a new system that allows external reporting via the internet and telephone. Work has begun on the new system and our goal

is to begin implementation during the first quarter of 2014. We are also updating our teacher led anti-corruption training and evaluate whether the target group should be extended to include people outside the marketing organisation. Other initiatives underway include the development of additional tools for corruption risk analyses and an improved system for monitoring and auditing marketing consultants and other business partners.

**Information security risk**

Saab develops and produces high technology products to customers world-wide. We continuously handle information that is critical to the security of our customers. In many cases the information also is critical for the security of nations. We also handle very sensitive information regarding the protection of critical infrastructure. More frequently, Saab's information systems are being attacked by external actors trying to access data. The aim of such actors can for example be to try to get hold of classified information. We also are exposed to other forms of espionage attempts.

As a defence and security company, it is evidently very important that we handle sensitive information correct. If we do not succeed with this it would have serious consequences for our brand and reputation as well as hurting the relationship with our customers.

*Management of information security risk*

Saab, like other international companies, are constantly exposed to risks when handling information. Saab has a systematic, riskbased and processoriented view on how to handle information with very clear rules and routines for all levels in the organisation.

In order to secure that all employees handle information in accordance with our rules all employees take a security course in connection with joining Saab. When joining Saab all employees also sign a confidentiality agreement.

We systematically work with identifying, analysing and handling security risks within our Business Winning Process. This enables security issues to become a natural part of our business. The result of the analysis is thereafter used as basis for decisions about how for example the IT-infrastructure or other security should be adapted in order to guarantee an acceptable risk level.

The measurement for management of security risks are followed up by a systematic focus on quality, continuous training of personnel supplemented with for example elementary advises regarding how to handle information in connection with business travel, meetings and communication.

In 2013 Saab expanded the security organisation and also an external audit of our systematic security work was performed. In addition an internal policy for the work with security issues for the Group was introduced.

In 2014 Saab is aiming at preparing a long-term strategy and action plan aiming at reaching our target to become recognised as world leading within business security and risk management. In addition we will also strengthen and intensify the communication with all employees about how to increase the general security level. The risk management process within our Winning Business process will also be further development and strengthened.

Our goal is that every employee shall have a strong awareness of security and that this shall be a natural part of our culture, processes and brand.

OPERATING RISKS					
RISK	Develop and introduce new systems and products	Management of long-term customer projects	Environmental risks and liabilities	Compliance risks	Information security risk
SIGNIFICANCE	The risk is a failure by Saab to achieve the levels of business required for its products to be profitable.	The risk is a failure by Saab to meet 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 significant environmental risks involve hazardous chemicals, building and plant fires, and soil contamination.	The risk is a failure by Saab to comply with its commitment to act in an ethically correct manner in all that we do, based on current legislation, our own Code of Conduct and common industry standards.	A large business risk exists if we are not able to handle sensitive information in a correct manner. If we do not succeed with this it would have serious consequences for our brand and reputation as well as hurting the relationship with our customers.
MANAGEMENT	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 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. Our compliance programme also includes extensive internal training and clear management structures with special compliance functions designated to manage operating risks and the further development and improvement of existing regulations and processes. Saab has also established a whistle-blower system.	Saab has a systematic, riskbased and processoriented view on how to handle information with very clear rules and routines for all levels in the organisation. The measurement for management of security risks are followed up by a systematic focus on quality, continuous training of personnel supplemented with for example elementary advises regarding how to handle information in connection with business travel, meetings and communication.
2013	During 2013, the implementation of various measures to further enhance our development processes continued. The portfolio management system has also been actively used on a general level to aid decision-making on investment prioritisation from both the market and profitability perspectives. In 2013, Saab also launched its product database with more than 500 products grouped in product areas. The product database is linked to Saab's CRM system to support the new market area organisation.	In 2013 we continued our efforts to ensure the implementation of the project management process. The process has been adapted to changes in Saab's internal governance and to new external demands. The Winning Business process has also been adapted to the market area organisation that was introduced in January 2013.	Health and environmental information on chemical products is available in the Group's chemical data system. In 2013, several activities have been initiated to meet the anticipated prohibition on the use of certain hazardous chemicals, according to the REACH chemicals legislation.	In 2013, we continued training business managers in conducting corruption risk assessments for each deal. The training programme for all employees on anti-corruption issues was supplemented with mandatory web-based training for all employees.	In 2013 Saab expanded the security organisation and also an external audit of our systematic security work was performed. In addition an internal policy for the work with security issues for the Group was introduced.
2014	The introduction of Saab's new product database continues. It will also support our efforts to make product development more efficient through modularisation. This means that customer needs can be met faster and at a lower cost.	In 2014 we will continuously improve the process by adapting to new external and internal demands.	Many measures that reduce CO <sub>2</sub> emissions will be implemented. A project will be launched in 2014 to examine options for operating Gripen E on biofuel. FMV, the US Air Force, General Electric, Saab and a biofuel manufacturer are participating in the project. The phase-out of hazardous chemical substances will continue.	We will strengthen our whistle-blower function in 2014 by introducing a new system that allows external reporting via internet and telephone. Work has begun on the new system and our goal is to begin implementation during the first quarter. Other initiatives underway include the development of additional tools for corruption risk analyses and an improved system for monitoring and auditing marketing consultants and other business partners.	In 2014 Saab is aiming at preparing a long-term strategy and action plan aiming at reaching our target to become recognised as world leading within business security and risk management. In addition we will also strengthen and intensify the communication with all employees about how to increase the general security level. The risk management process within our Winning Business process will also be further development and strengthened.

# OTHER INFORMATION

## Corporate

Corporate reported operating income of MSEK -166 (4).

During 2013 and 2012 reversal of risk provisions, attributable to the remaining risks related to Saab's lease fleet of turboprop aircraft, contributed positively to the operating income. The positive impact was smaller during 2013 than 2012.

In 1997 Saab discontinued the manufacturing of turboprop aircraft. As of 31 December 2013, Saab has a lease fleet consisting of 49 (61) turboprop Saab 340 and Saab 2000 aircraft. Of the fleet, 35 (42) are financed through US leverage leases. Rents from these leases are insured through The Swedish Export Credits Guarantee Board, EKN. 14 (19) 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. Saab estimates that the leasing portfolio will be phased out in 2015.

The operating income was also impacted by a capital gain attributable to divestment of property.

A payment, amounting to MSEK 314 related to a lost legal dispute regarding the command and control system DACCIS, was made. The payment Saab made includes repayment of damages, payments received under the previous contract, as well as interest and court costs. Of the MSEK 314, MSEK 231 was reported as operating income and MSEK 83 as interest cost in the financial net.

## Guidelines for remuneration and other terms of employment for senior executives 2013

Pursuant to the Swedish Companies Act, the Board of Directors shall propose guidelines to the Annual General Meeting for remuneration for the company's senior executives. The 2013 Annual General Meeting adopted the Board'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](http://www.saabgroup.com)). In some special cases, these guidelines may also apply to Saab AB Board Members, 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 against comparable industries and markets shall be practiced regularly.

The guidelines are based primarily on agreements in effect between Saab AB and individual executives. No board fees are paid to members of the Group Management for participation on the boards of the business areas or Saab subsidiaries. The Remuneration Committee is responsible for developing and reviewing remuneration and other employment terms for the Group Management. The Board is entitled to divert from the guidelines in the event there are reasonable grounds to do so in any specific case.

These guidelines apply as from the 2013 Annual General Meeting.

### 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

Saab's operations are characterised primarily by the development of complex products and systems. The products are marketed, further developed, produced and maintained over long periods – in some cases, three or four decades – and normally involve significant investments and long-term relationships with customers in all parts of the world. It is therefore vital that senior executives have a long-term view and a long-term commitment to the company's operations and profits. Long-term incentives are thus particularly well suited to Saab and its shareholders, and Saab offers a share-based incentive programme.

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

One-off agreements for variable cash remuneration may be made in extraordinary circumstances, provided that such agreements are made solely on an individual basis for recruitment or retention purposes, or as compensation for extraordinary efforts above and beyond the individual's ordinary work duties. 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 under any circumstances.

### Other benefits

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

### Pension

The retirement age is 62 under pension agreements entered into after 1 January 2005. In addition to the ITP agreement, the pension is part of a defined premium based contribution plan and provisions are made annually. For the President and CEO, the provision is equivalent to a maximum of 35 per cent of the fixed salary. For other senior executives the percentage is based on "Saab Plan" regulations, which stipulate that the percentage is to be based on the number of years remaining until retirement age 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 enhanced disability pension and survivors' pension.

### Miscellaneous terms

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

With respect to employment agreements made after 1 January

2005 that are terminated by Saab, a maximum severance payment of 18 months is payable following a six-month notice period.

In both cases, any income from termination and/or severance pay will be deducted against income from other employment during the corresponding period.

#### *Consultant fees to Board Members*

Saab AB's shareholder-elected Board Members 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 programmes proposed to the 2013 Annual General Meeting**

The Board of Directors proposed that the Annual General Meeting resolve to adopt the 2013 Share Matching Plan and 2013 Performance Share Plan. 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 programmes and other benefits.

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

The Remuneration Committee has evaluated the application of the guidelines for remuneration for Saab AB senior executives resolved at the 2013 Annual General Meeting and the current remuneration structures and remuneration levels in the company. The Remuneration Committee deems that the guidelines resolved in 2013 achieve their purposes of facilitating the recruitment and retention of senior executives.

The Remuneration Committee has recommended the Board of Directors to propose that the Annual General Meeting adopt remuneration guidelines with terms and conditions identical to those that were adopted by the 2013 Annual General Meeting.

In light of the above, the Board of Directors proposes that the 2013 Annual General Meeting adopt guidelines for remuneration and other terms of employment for senior executives with terms and conditions identical to those resolved at the 2013 Annual General Meeting (please see above).

#### **Incentive programmes proposed to the Annual General Meeting 2014**

The Board of Directors proposed that the Annual General Meeting resolve on the implementation of a Share Matching Plan 2014 and a Performance Share Plan 2014.

The terms and estimated costs for the Share Matching Plan 2014 and the Performance Share Plan 2014 are presented in the Board of Director's complete proposal to the Annual General Meeting.

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

In April 2007, Saab's Annual General Meeting resolved to offer employees the opportunity to participate in a voluntary share matching plan under which they can purchase Saab Series B shares over 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 free of charge.

The plan was introduced in autumn 2007 in Sweden and Norway. In 2008 it was expanded to include employees in Denmark,

## OTHER SIGNIFICANT EVENTS IN 2013

- On February 15th, the Swedish Defence Materiel Administration (FMV) and Saab entered into agreement regarding development and modification of the Gripen E for Sweden through the period 2013–2026 as well as a potential order for production of Gripen E for Switzerland. The agreement comprises potential orders of SEK 47.2 billion in total.
- Lena Olving, formerly Saab AB's Executive Vice President and Chief Operating Officer (COO), stepped down at the end of the second quarter 2013 to become President and CEO of the listed technology company Micronic Mydata AB.
- Saab AB held its Annual General Meeting in Stockholm on 17 April 2013. In accordance with the Nomination Committee's proposal, Håkan Buskhe, Johan Forssell, Sten Jakobsson, Per-Arne Sandström, Cecilia Stegö Chilò, Lena Treschow Torell, Marcus Wallenberg and Joakim Westh were re-elected as board members. Sara Mazur was elected as a new board member. Marcus Wallenberg was re-elected as Chairman of the Board. At the statutory board meeting following the AGM, Sten Jakobsson was elected Vice Chairman of the Board.
- In April Saab announced that the Danish Supreme Court had ordered it to repay the Danish Defence Materiel Administration (FMT) and to reimburse FMT's court costs. The dispute was based on a cancelled contract concerning the DACCIS command and control system. The judgment amount comprised repayment of the damages awarded Saab by the Danish Maritime and Commercial Court in 2010, payments received under the DACCIS contract and interest and court costs. The expense amounting to MSEK 314 was charged to earnings during the second quarter of 2013.
- Saab announced in May that it had acquired TIKAB (Teknikinformation i Krokomb AB). The acquisition broadens Saab's service portfolio and enables Saab to offer a more complete range of technical services that further strengthen the company's competitiveness as a supplier of support solutions.
- In September Saab opened union negotiations to reduce the number of employees in business area Dynamics in Karlskoga. The layoff notice applied to 70 positions at the Karlskoga production division and was due to declining order intake resulting from reduced global defence spending.
- Saab announced in September that it had acquired Hydro-Lek Limited, a British manufacturer of remote handling systems and tools for underwater vehicles, with 25 employees. The acquisition strengthens Saab's product portfolio of remote-controlled, autonomous and hybrid underwater vehicles. Saab's ambition is to continue to grow the company.
- In September Saab announced that the workforce would be reduced by 150-175 employees within business area Electronic Defence Systems in Gothenburg. This was accomplished through a skills exchange programme and was the result of reduced business volumes and the ongoing technology shift.
- Saab announced the shareholder representatives who, together with the Chairman of the Board, constitute the Nomination Committee for the 2014 Annual General Meeting:

Germany, the UK, the US, Switzerland and Australia.

South Africa was included in 2009, Finland in 2010, the Czech Republic in 2011, India in 2012 and Thailand, Holland and Canada in 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 to which the employee belongs. 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. Participants in this programme may allocate a maximum of 7.5 per cent of their fixed gross salary to purchase Saab Series B shares. All Annual General Meetings held from 2009–2013 have resolved to renew the Share Matching Plan and Performance Share Plan. As of 2011 the Share Matching Plan covers all employees, including senior executives and key persons. The Performance Share Plans for 2011, 2012 and 2013 (directed solely to senior executives and key persons) entitle participants to 1–4 matching shares, depending on the category to which the employee belongs.

The Annual General Meeting held on 17 April 2013 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 is 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 is in force through the close of the 2014 Annual General Meeting. Repurchases may be effected over the stock exchange or through offerings to shareholders. During 2013 the Board did not elect to utilise its repurchase authorisation; accordingly, no shares were repurchased in 2013.

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. No shares were repurchased in 2011, 2012 or 2013.

#### Share repurchase

Saab held 2,736,200 Treasury shares as at 31 December 2013, as compared to 3,219,515 at year-end 2012.

Saab's Pension Fund held no Saab shares as at 31 December 2013.

#### Dividend

The Board of Directors proposes that shareholders receive a dividend of SEK 4.50 per share (4.50), or a total of MSEK 479 (477). This has been calculated based on the number of outstanding shares at 31 December 2013 amounting to 106,414,144 (105,930,829). 11 April 2014 has been proposed as the record day for the dividend, which is expected to be paid on 16 April 2014.

#### Significant events after the conclusion of the year

No significant events have occurred after the conclusion of the year.

Marcus Wallenberg, Chairman of the Board, Saab AB Petra Hedengran, Investor AB Peter Wallenberg Jr, Knut and Alice Wallenberg Foundation Tomas Hedberg, Swedbank Robur Funds Anders Algotsson, AFA Insurance. The Nomination Committee represents approximately 55 per cent of the total voting rights in Saab AB pursuant to the ownership structure as at 31 August 2013. Saab AB's Annual General Meeting will be held on Tuesday, 8 April 2014.

- In November Saab announced that the workforce would be reduced by approximately 50 employees within business area Support & Services in 2013. The restructuring measures affected around 50 additional people within the business area. Measures were taken in several locations, particularly Östersund, Nyköping and Linköping and were done to adapt operations to prevailing market conditions. This was accomplished through reorganisation and individualised solutions.
- In November, Saab issued a five-year loan, fixed interest rate bonds of MSEK 250 and Floating Rate Notes (FRN) of MSEK 750 under the existing Medium Term Note programme (MTN). The total size of the programme amounted to SEK 3 billion. The purpose of the transaction is to refinance loans of SEK 1.1 billion maturing in the beginning of December 2013. Saab previously had an unused Swedish commercial paper programme of SEK 5 billion.
- In December Saab and Boeing signed a co-operation agreement for the joint development and construction of an entirely new, advanced and cost-efficient training aircraft for the upcoming US Air Force procurement of new training aircraft to replace their aging fleet of T-38s (the "T-X programme"). The co-operation agreement covers development, production, support, marketing and sales. Boeing is the main supplier under the terms of the contract, with Saab as the principal partner.
- On 18 December the Brazilian government announced its selection of Gripen NG. Negotiations with the Brazilian Air Force for the acquisition of 36 Gripen NGs were initiated following the announcement. Saab's offering to the Brazilian government includes Gripen NG and associated systems, a comprehensive technology transfer package, a financing solution and a long-term bilateral co-operation between the Brazilian and Swedish governments. An order for Gripen NGs may be placed when the negotiations are concluded and when an agreement is made between Saab and Brazil.

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# CONSOLIDATED INCOME STATEMENT

1 January – 31 December

MSEK	Note	2013	2012
Sales	3, 4	23,750	24,010
Cost of goods sold		-17,422	-16,802
<b>Gross income</b>		<b>6,328</b>	<b>7,208</b>
Other operating income	5	204	338
Marketing expenses		-2,082	-2,191
Administrative expenses		-1,111	-1,215
Research and development costs		-1,762	-2,096
Other operating expenses	6	-257	-19
Share in income of associated companies	21	25	25
<b>Operating income</b>	10, 11, 12	<b>1,345</b>	<b>2,050</b>
Share in income of associated companies	21	-	2
Financial income		62	153
Financial expenses		-428	-202
Net financial items	13	-366	-47
<b>Income before taxes</b>		<b>979</b>	<b>2,003</b>
Taxes	15	-237	-443
<b>Net income for the year</b>		<b>742</b>	<b>1,560</b>
Attributable to:			
Parent Company's shareholders		741	1,585
Non-controlling interest		1	-25
Earnings per share before dilution (SEK)	34	6.98	15.00
Earnings per share after dilution (SEK)	34	6.79	14.52

2012 is restated according to the changed accounting principles for pensions (IAS19)

## ORDERS

Order bookings in 2013 were on a much higher level than in 2012. The increase was mainly due to orders received during the year from FMV, for the development and serial production of Gripen E, totalling SEK 29.8 billion.

In all, 87 per cent (76) of order bookings were attributable to defence-related operations and 30 per cent (57) were attributable to customers outside Sweden.

During 2013, index and price changes had a positive effect on order bookings of MSEK 97 compared to MSEK 148 in 2012.

Orders received, where the total order value exceeded MSEK 100, represented 80 per cent (52) of total order bookings.

The order backlog at the year-end amounted to MSEK 59,870, compared to MSEK 34,151 at the beginning of the year.

Order backlog duration :

2014: SEK 17.4 billion

2015: SEK 10.8 billion

2016: SEK 8.1 billion

2017: SEK 11.1 billion

After 2017: SEK 12.5 billion

## SALES BY MARKET REGION

MSEK	Jan-Dec 2013	Jan-Dec 2012
Sweden	9,814	8,765
EU excluding Sweden	3,933	4,640
Rest of Europe	621	390
Americas	2,987	2,780
Asia	4,311	4,886
Africa	930	1,345
Australia, etc.	1,154	1,204
<b>Total</b>	<b>23,750</b>	<b>24,010</b>

## SALES BY MARKET SEGMENTS

MSEK	Jan-Dec 2013	Jan-Dec 2012
Air	10,693	9,283
Land	6,462	7,997
Naval	2,292	2,569
Civil Security	1,979	1,837
Commercial Aeronautics	1,615	1,477
Other	709	847
<b>Total</b>	<b>23,750</b>	<b>24,010</b>

## SALES

Sales during 2013 decreased by 1 per cent compared to 2012.

Acquisitions contributed to the increase in sales by 2 per cent, however offset by a negative impact from currency effects of 1 per cent.

Sales in markets outside Sweden amounted to MSEK 13,936 (15,245), or 59 per cent (64) of total sales.

81 per cent (82) of sales were related to the defence market.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 January – 31 December

MSEK	2013	2012
Net income for the year	742	1,560
Other comprehensive income:		
Items that will not be reversed in the income statement:		
Revaluation of net pension obligations	1,255	-385
Tax attributable to revaluation of net pension obligations	-285	85
<b>Total</b>	<b>970</b>	<b>-300</b>
Items that may be reversed in the income statement:		
Translation differences	-132	-181
Net gain/loss on cash flow hedges:		
Change in value	-174	45
Reversed through profit and/or loss	-81	15
Tax attributable to net gain/loss on cash flow hedges	59	14
<b>Total</b>	<b>-328</b>	<b>-107</b>
Other comprehensive income	642	-407
<b>Net comprehensive income for the year</b>	<b>1,384</b>	<b>1,153</b>
of which Parent Company's shareholders' interest	1,399	1,184
of which non-controlling interest	-15	-31

2012 is restated according to the changed accounting principles for pensions (IAS19)

## INCOME, MARGIN AND PROFITABILITY

The gross margin in 2013 decreased to 26.6 per cent (30.0), compared to 2012, mainly as a result of a different product and project mix.

Total depreciation, amortisation and write-downs amounted to MSEK 1,047 (1,189). Depreciation and write-downs of tangible fixed assets amounted to MSEK 398 (403), while depreciation of the leasing fleet amounted to MSEK 25 (53).

Total expenditures in research and development amounted to MSEK 6,543 (5,946). Of total research and development expenditures, MSEK 1,332 (1,798) was internally funded, of which a total of MSEK 24 (292) was capitalised. A large part was investments in development of radar and sensor technologies.

Amortisation of intangible fixed assets amounted to MSEK 624 (733), of which amortisation of capitalised development expenditures amounted to MSEK 454 (590).

The share of income in associated companies amounted to MSEK 25 (25). The operating income amounted to MSEK 1,345 (2,050) with an operating margin of 5.7 per cent (8.5). Excluding material non-recurring items, the operating income amounted to MSEK 1,576 (1,843), with an operating margin of 6.6 per cent (7.7).

During 2013 and 2012, reversal of risk provisions related to Saab's leasing fleet of turbo prop aircraft (SAL), contributed positively to the operating income. The positive contribution was less in 2013 than in 2012.

During 2012, the operating income was positively impacted by a significant reduction of the potential earn-out liability related to the acquisition of Saab Sensis during 2011, of MSEK 207. The result for 2013 was also positively impacted by such reductions as well as by a capital gain attributable to a divestment of property. At the same time, the operating income for 2013 was negatively impacted by the ongoing efficiency programme. In total, the costs were somewhat higher than the sum of the reductions and the capital gain.

A material non-recurring item of MSEK 231 related to a lost legal dispute was recognised during the year, see more in Note 42.

## FINANCIAL NET

MSEK	Jan–Dec 2013	Jan–Dec 2012
Financial net related to pensions	-74	-73
Net interest items	23	124
Project interest from unutilised advance payment	-3	-15
Currency gains/losses	-26	15
Other net financial items	-286	-98
<b>Total</b>	<b>-366</b>	<b>-47</b>

Financial net related to pensions is based on the current net pension liability.

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

Project interest is the return 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.

Currency gains/losses reported are related to hedges of the tender portfolio which are valued at fair value.

Other net financial items consist of cost attributable to the programme for sales of accounts receivables and unrealised results from market valuation of short-term investments and other currency effects, for example changes related to liquid assets in currencies other than SEK. Also reported here, were two non-recurring items; MSEK 83 related to a lost legal dispute and a write-down of the value of shareholding in the Indian company Pipavav. During the second quarter, Saab invested MSEK 247 in Pipavav through a, to Saab, directed new share issue. A combination of negative currency effects and share price development resulted in a value decline totalling MSEK 133, of which MSEK 116 was recognised in Other comprehensive income/loss up to and including the third quarter. Following a continued value decline during the fourth quarter, Saab has, in accordance with IFRS, reclassified the value decline for the whole year to financial net. At year-end, the valuation of the Indian currency, rupee, showed a decline of 15 per cent and Pipavav's share price had dropped 46 per cent, since the investment was done. This led to a write-down and reclassification in accordance with accounting standards.

Current and deferred taxes amounted to MSEK -237 (-443), equivalent to an effective tax rate of 24 per cent (22).

The pre-tax return on capital employed was 9.1 per cent (14.6) and the after-tax return on equity was 6.3 per cent (12.8), both measured over a rolling 12-month period.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MSEK	Note	As of 31 December		Opening Balance 2012
		2013	2012	
<b>Assets</b>				
Intangible fixed assets	16	6,340	6,849	6,699
Tangible fixed assets	17	3,239	3,162	3,272
Lease assets	18	197	304	771
Biological assets	19	296	306	305
Investment properties	20	31	33	224
Shares in associated companies	21	338	300	288
Financial investments	25	295	193	197
Long-term receivables	27	129	138	125
Deferred tax assets	15	239	213	86
<b>Total fixed assets</b>		<b>11,104</b>	<b>11,498</b>	<b>11,967</b>
Inventories	28	4,563	4,420	4,334
Derivatives	41	396	514	520
Tax assets		62	39	23
Accounts receivable	29	3,314	3,454	3,153
Other receivables	27	3,823	2,548	3,579
Prepaid expenses and accrued income	30	877	886	829
Short-term investments	25	2,002	3,963	4,555
Liquid assets	31	1,764	1,616	1,918
<b>Total current assets</b>		<b>16,801</b>	<b>17,440</b>	<b>18,911</b>
Assets held for sale	32	-	-	-
<b>TOTAL ASSETS</b>		<b>27,905</b>	<b>28,938</b>	<b>30,878</b>

2012 is restated according to the changed accounting principles for pensions (IAS19)

## STATEMENT OF FINANCIAL POSITION

At the end of December 2013, the net liquidity amounted to MSEK 1,013, a decrease of MSEK 983 compared to year-end 2012.

Cash flow from operating activities amounted to MSEK -682.

The lower provisions for pensions, excluding special employer's contribution at 31 December 2013 of MSEK 1,389 compared to MSEK 2,420 in December 2012, had a positive impact of MSEK 1,031 on net liquidity. The decrease in provisions was mainly due to the increase in discount rate used in the valuation of pension obligations from 3.00 per cent to 4.00 per cent during the year.

For more information about the Group's defined benefit plans, see Note 37.

Net liquidity was negatively impacted during 2013 by net investments amounting to approximately MSEK 798 and paid dividend of MSEK 477. Net investments included investments in tangible fixed assets of MSEK 543, investments in intangible assets of MSEK 68, divestment of fixed assets of MSEK 127 and acquisitions of MSEK 314.

Currency exchange rate differences in liquid assets as well as unrealised results from financial investments had a negative impact of MSEK 57 on net liquidity.

In 2009, Saab changed its view on the application of 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. Capitalised development costs have been reduced from MSEK 3,628 at the end of 2008 to MSEK 1,338 at the end of December 2013.

Inventories are recognised after deducting utilised advances.

Other receivables increased compared to year-end 2012 as a result of the increase of accrued revenue from customers due to higher activity level in some large projects, mainly related to the development of Gripen E.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 31 December

MSEK	Note	2013	2012	Opening Balance 2012
<b>Equity</b>				
Equity	33			
Capital stock		1,746	1,746	1,746
Other capital contributions		543	543	543
Other reserves		4	316	457
Retained earnings		9,843	8,563	7,770
Equity attributable to Parent Company's shareholders		12,136	11,168	10,516
<b>Non-controlling interest</b>				
Non-controlling interest		91	112	119
<b>Total equity</b>		<b>12,227</b>	<b>11,280</b>	<b>10,635</b>
<b>Liabilities</b>				
Long-term interest-bearing liabilities	35	1,095	105	1,218
Other liabilities	39	179	315	439
Provisions for pensions	37	1,680	2,874	2,427
Other provisions	38	1,043	1,286	1,728
Deferred tax liabilities	15	501	184	110
Total long-term liabilities		4,498	4,764	5,922
Short-term interest-bearing liabilities	35	614	1,637	520
Advance payments from customers		828	553	1,022
Accounts payable		1,918	1,904	1,785
Derivatives	41	316	254	628
Tax liabilities		61	228	244
Other liabilities	39	839	760	747
Accrued expenses and deferred income	40	5,945	6,993	8,629
Provisions	38	659	565	746
Total current liabilities		11,180	12,894	14,321
<b>Liabilities attributable to assets held for sale</b>				
Liabilities attributable to assets held for sale	32	-	-	-
<b>Total liabilities</b>		<b>15,678</b>	<b>17,658</b>	<b>20,243</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>27,905</b>	<b>28,938</b>	<b>30,878</b>

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

2012 is restated according to the changed accounting principles for pensions (IAS19)

# 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 2012	1,746	543	457	-51	51	10,204	12,950	119	<b>13,069</b>	
Effects of change in accounting principles	-	-	-	-	-	-2,434	-2,434	-	<b>-2,434</b>	
Adjusted opening balance, 1 January 2012	1,746	543	457	-51	51	7,770	10,516	119	<b>10,635</b>	
<b>Net comprehensive income for the year</b>	-	-	74	-175	-	1,285	1,184	-31	<b>1,153</b>	
Reallocation of revaluation reserve	-	-	-	-	-40	40	-	-	<b>-</b>	
Adjustment due to change of accounting principles for pensions attributable to change in tax rate in Sweden	-	-	-	-	-	-104	-104	-	<b>-104</b>	
<b>Transactions with shareholders:</b>										
Share matching plan	-	-	-	-	-	46	46	-	<b>46</b>	
Dividend	-	-	-	-	-	-474	-474	-	<b>-474</b>	
Acquisition and sale of non-controlling interest	-	-	-	-	-	-	-	24	<b>24</b>	
<b>Closing balance, 31 December 2012</b>	<b>1,746</b>	<b>543</b>	<b>531</b>	<b>-226</b>	<b>11</b>	<b>8,563</b>	<b>11,168</b>	<b>112</b>	<b>11,280</b>	
Opening balance, 1 January 2013	1,746	543	531	-226	11	8,563	11,168	112	<b>11,280</b>	
<b>Net comprehensive income for the year</b>			-185	-127	-	1,711	1,399	-15	<b>1,384</b>	
<b>Transactions with shareholders:</b>										
Share matching plan	-	-	-	-	-	46	46	-	<b>46</b>	
Dividend	-	-	-	-	-	-477	-477	-1	<b>-478</b>	
Acquisition and sale of non-controlling interest	-	-	-	-	-	-	-	-5	<b>-5</b>	
<b>Closing balance, 31 December 2013</b>	<b>1,746</b>	<b>543</b>	<b>346</b>	<b>-353</b>	<b>11</b>	<b>9,843</b>	<b>12,136</b>	<b>91</b>	<b>12,227</b>	

For a definition of other reserves, see Note 33.

2012 is restated according to the changed accounting principles for pensions (IAS19)

# CONSOLIDATED STATEMENT OF CASH FLOWS

MSEK	1 January – 31 December		
	Note	2013	2012
<b>Operating activities</b>			
Income after financial items		979	2,003
Adjustments for items not affecting cash flow	46	1,224	1,082
Income tax paid		-368	-574
<b>Cash flow from operating activities before changes in working capital</b>		<b>1,835</b>	<b>2,511</b>
<b>Cash flow from changes in working capital</b>			
Increase(-)/Decrease(+) in inventories		-147	-199
Increase(-)/Decrease(+) in current receivables		-1,370	707
Increase(+)/Decrease(-) in advance payments from customers		287	-459
Increase(+)/Decrease(-) in other current liabilities		-1,010	-1,701
Increase(+)/Decrease(-) in provisions		-277	-509
<b>Cash flow from operating activities</b>		<b>-682</b>	<b>350</b>
<b>Investing activities</b>			
Investments in intangible fixed assets		-44	-51
Capitalised development costs		-24	-292
Investments in tangible fixed assets		-543	-328
Investments in lease assets		-	-1
Sale of tangible fixed assets		46	10
Sale of lease assets		81	312
Sale of and investments in short-term investments		1,936	585
Sale of and investments in other financial assets		-14	26
Investments in operations and associated companies, net effect on liquidity	8, 46	-68	-568
Sale of subsidiaries and associated companies, net effect on liquidity	46	-	174
<b>Cash flow from investing activities</b>		<b>1,370</b>	<b>-133</b>
<b>Financing activities</b>			
Repayment of loans		-1,100	-19
Raising of loans		1,071	-
Dividend paid to Parent Company's shareholders		-477	-474
Dividend paid to non-controlling interests		-1	-
<b>Cash flow from financing activities</b>		<b>-507</b>	<b>-493</b>
<b>Cash flow for the year</b>	46	<b>181</b>	<b>-276</b>
Liquid assets at beginning of year		1,616	1,918
Exchange rate difference in liquid assets		-33	-26
<b>Liquid assets at year-end</b>	46	<b>1,764</b>	<b>1,616</b>

2012 is restated according to the changed accounting principles for pensions (IAS19)

## CAPITAL EXPENDITURES

Gross capital expenditures in property, plant and equipment, amounted to MSEK 543 (328).

Investments in intangible assets amounted to MSEK 68 (343), of which MSEK 24 (292) related to capitalised product development and MSEK 44 (51) to other intangible assets.

## CASH FLOW

Operating cash flow amounted to MSEK -1,480 (-396). The lower level of operating cash flow in 2013 compared to 2012 is mainly attributable to timing differences in milestone payments and investments in Corporate, Dynamics and Support and Services.

The operating cash flow was distributed between cash flow from operating activities of MSEK -682 (350) and cash flow from investing activities excluding change in short-term investments and other interest-bearing financial assets of MSEK -798 (-746), of which acquisitions and divestments amounted to MSEK -68 (-394).

A payment of MSEK 314 related to a lost legal dispute regarding the DACCIS command and control system was made, which had a negative effect on cash flow from operating activities. The amount Saab has paid includes repayments of damages and payments received under the previous contract, as well as interest and court costs.

Saab has an established programme to sell accounts receivable to strengthen its financial position and increase financial flexibility. As of 31 December 2013, net receivables of MSEK 555 were sold, compared to MSEK 852 at 31 December 2012. Hence, it had a negative impact on operating cash flow of MSEK 297 in 2013.

During the year, an investment was made in the publicly traded Indian company Pipavav, amounting to MSEK 247. The investment was reported as acquisition of other financial assets.

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

# PARENT COMPANY INCOME STATEMENT

1 January – 31 December

MSEK	Note	2013	2012
Sales	3, 4	16,521	15,338
Cost of goods sold		-12,556	-10,723
<b>Gross income</b>		<b>3,965</b>	<b>4,615</b>
Marketing expenses		-1,368	-1,385
Administrative expenses		-680	-716
Research and development costs		-1,088	-1,549
Other operating income	5	87	77
Other operating expenses	6	-254	-11
<b>Operating income</b>		<b>662</b>	<b>1,031</b>
Result from financial items:	13		
Result from shares in Group companies		875	835
Result from shares in associated companies and joint ventures		8	12
Result from other securities and receivables held as fixed assets		-180	-29
Other interest income and similar items		195	281
Interest expenses and similar items		-191	-185
<b>Income after financial items</b>		<b>1,369</b>	<b>1,945</b>
Appropriations	14	-284	-481
<b>Income before taxes</b>		<b>1,085</b>	<b>1,464</b>
Taxes	15	-200	-499
<b>Net income for the year</b>		<b>885</b>	<b>965</b>

## 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 2013 amounted to MSEK 16,521 (15,338). Operating income was MSEK 662 (1,031).

Net financial income and expenses was MSEK 707 (914). After appropriations of MSEK -284 (-481) and taxes of MSEK -200 (-499), net income for the period amounted to MSEK 885 (965).

# PARENT COMPANY COMPREHENSIVE INCOME

1 January – 31 December

MSEK	Note	2013	2012
Net income for the year		885	965
Other comprehensive income		-	-
<b>Net comprehensive income for the year</b>		<b>885</b>	<b>965</b>

# PARENT COMPANY BALANCE SHEET

MSEK	Note	As of 31 December	
		2013	2012
<b>ASSETS</b>			
<b>Fixed assets</b>			
Intangible fixed assets	16	1,392	1,661
Tangible fixed assets	17	2,279	2,126
Financial fixed assets			
Shares in Group companies	44	6,471	6,482
Receivables from Group companies	24	747	861
Shares in associated companies and joint ventures	23	137	565
Other long-term securities holdings	26	136	21
Other long-term receivables	27	22	49
Deferred tax assets	15	182	168
Total financial fixed assets		7,695	8,146
<b>Total fixed assets</b>		<b>11,366</b>	<b>11,933</b>
<b>Current assets</b>			
Inventories, etc.	28	3,653	3,385
Current receivables			
Accounts receivable	29	1,489	1,598
Receivables from Group companies		2,183	2,090
Receivables from associated companies and joint ventures		15	63
Other receivables	27	2,315	1,294
Prepaid expenses and accrued income	30	736	733
Total current receivables		6,738	5,778
Short-term investments		1,990	3,926
Cash and bank balances		1,268	949
<b>Total current assets</b>		<b>13,649</b>	<b>14,038</b>
<b>TOTAL ASSETS</b>		<b>25,015</b>	<b>25,971</b>

## LIQUIDITY, FINANCING, CAPITAL EXPENDITURES AND NUMBER OF EMPLOYEES

The Parent Company's net debt amounted to MSEK 984 at 31 December 2013 compared to MSEK 38 at 31 December 2012.

Gross capital expenditures in property, plant and equipment amounted to MSEK 387 (185). Investments in intangible assets amounted to MSEK 63 (48). At the end of the period, the Parent Company had 8,781 employees, compared to 8,737 at the beginning of the year.

# PARENT COMPANY BALANCE SHEET

As of 31 December

MSEK	Note	2013	2012
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	33		
Restricted equity			
Capital stock		1,746	1,746
Revaluation reserve		700	707
Statutory reserve		543	543
Unrestricted equity			
Retained earnings		4,107	3,566
Net income for the year		885	965
<b>Total equity</b>		<b>7,981</b>	<b>7,527</b>
<b>Untaxed reserves</b>	45	<b>1,560</b>	<b>1,276</b>
Provisions			
Provisions for pensions and similar commitments	37	219	334
Other provisions	38	832	835
<b>Total provisions</b>		<b>1,051</b>	<b>1,169</b>
Liabilities			
Liabilities to credit institutions	36	1,000	1,100
Liabilities to Group companies		5,827	6,834
Advance payments from customers		393	291
Accounts payable		1,390	1,437
Liabilities to associated companies and joint ventures		33	47
Tax liabilities		28	88
Other liabilities	39	933	629
Accrued expenses and deferred income	40	4,819	5,573
<b>Total liabilities</b>		<b>14,423</b>	<b>15,999</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>25,015</b>	<b>25,971</b>
Assets pledged	42	10	10
Contingent liabilities	42	3,992	4,244

# 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 2012	1,746	713	543	3,988	-	<b>6,990</b>
<b>Items reported directly in equity:</b>						
Change in revaluation reserve	-	-6	-	6	-	-
<b>Net comprehensive income for the year</b>	-	-	-	-	965	<b>965</b>
<b>Transactions with shareholders:</b>						
Dividend to shareholders	-	-	-	-474	-	<b>-474</b>
Share matching plan	-	-	-	46	-	<b>46</b>
<b>Closing balance, 31 December 2012</b>	<b>1,746</b>	<b>707</b>	<b>543</b>	<b>3,566</b>	<b>965</b>	<b>7,527</b>
Opening balance, 1 January 2013	1,746	707	543	4,531	-	<b>7,527</b>
<b>Items reported directly in equity:</b>						
Change in revaluation reserve	-	-7	-	7	-	-
<b>Net comprehensive income for the year</b>	-	-	-	-	885	<b>885</b>
<b>Transactions with shareholders:</b>						
Dividend to shareholders	-	-	-	-477	-	<b>-477</b>
Share matching plan	-	-	-	46	-	<b>46</b>
<b>Closing balance, 31 December 2013</b>	<b>1,746</b>	<b>700</b>	<b>543</b>	<b>4,107</b>	<b>885</b>	<b>7,981</b>

# PARENT COMPANY STATEMENT OF CASH FLOWS

1 January – 31 December

MSEK	Note	2013	2012
<b>Operating activities</b>			
Income after financial items		1,369	1,945
Adjustments for items not affecting cash flow	46	614	-397
Income tax paid		-283	-463
<b>Cash flow from operating activities before changes in working capital</b>		<b>1,700</b>	<b>1,085</b>
<b>Cash flow from changes in working capital</b>			
Increase(-)/Decrease(+) in inventories		-146	-21
Increase(-)/Decrease(+) in current receivables		-1,175	576
Increase(+)/Decrease(-) in advance payments from customers		103	-185
Increase(+)/Decrease(-) in other current liabilities		-775	-1,429
Increase(+)/Decrease(-) in provisions		-216	-249
<b>Cash flow from operating activities</b>		<b>-509</b>	<b>-223</b>
<b>Investing activities</b>			
Shareholders' contributions paid		-27	-32
Investments in intangible fixed assets		-70	-48
Investments in tangible fixed assets		-386	-188
Sale of tangible fixed assets		36	-
Sale of and investments in short-term investments		1,936	585
Sale of and investments in financial assets		-137	50
Investments in subsidiaries		-29	-482
Sale of subsidiaries		-	191
<b>Cash flow from investing activities</b>		<b>1,323</b>	<b>76</b>
<b>Financing activities</b>			
Change in receivables from Group companies		-763	-495
Change in liabilities to Group companies and repayment of loans		-754	-412
Dividend paid to shareholders		-477	-474
Group contributions and dividends received		1,499	1,240
<b>Cash flow from financing activities</b>		<b>-495</b>	<b>-141</b>
<b>CASH FLOW FOR THE YEAR</b>		<b>319</b>	<b>-288</b>
Liquid assets at beginning of year		949	1,237
<b>Liquid assets at year-end</b>	46	<b>1,268</b>	<b>949</b>

## 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 US and other selected countries.

On 13 February 2014, 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 8 April 2014 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 fiscal year 2013:

- IAS 1 "Presentation of financial statements". Changes related to other comprehensive income with regard to what items can and cannot be reversed in the income statement.
- IAS 19 "Employee benefits". Changes relate to the treatment of actuarial gains and losses: Expected return on assets under management (calculated using the same interest rate as that used for discounting pension liabilities) and the cost of past services are recognised immediately.
- IFRS 7 "Financial instruments: Disclosures". Disclosures related to net accounting of assets and liabilities.
- IFRS 13 "Fair value measurement". Simplifications of the measurement of fair value.

Effects of amendments to IAS 19 were reported in the 2012 annual report and in Note 37 of this Annual Report. Other new and amended standards and interpretations have not had any significant effect on the Group's financial reports for 2013.

### 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:
Amendments to transitions rules for IFRS 10, 11 and 12	1 January 2014* (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)
IAS 28 (amended 2011) "Investments in Associates and Joint Ventures"	1 January 2014* (adopted by EU)
IAS 32 "Financial instruments: Presentation". Changes relate to net accounting of assets and liabilities	1 January 2014 (not adopted by EU)
Amendments to IFRS 10, 12 and IAS 27. For the consolidation of investment entities	1 January 2014 (adopted by EU)
IAS 36 "Impairment of assets". Relates to recoverable amount disclosures	1 January 2014 (not adopted by EU)
IAS 39 "Financial instruments: Recognition and measurement". Change relating to novation of derivatives	1 January 2014 (not adopted by EU)
IFRIC 21 "Levies"	1 January 2014 (not adopted by EU)

\* Earlier application permitted

### Effects of amendments to IFRS 11 Joint arrangements

During 2013 Saab had a joint arrangement to which the proportional method was applied. This holding will be classified as a joint venture as of 2014 and will be reported in accordance with the equity method. If the standard had been applied as of 31 December 2013, the Group's total assets would have been MSEK 116 lower than reported in 2013. The Group's liquid assets would have been MSEK 201 lower. See Note 22 for additional information.

Other standards and interpretations are not expected to have any material effect on the Group's financial reports.

### 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 45–50.

### 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 analysis. 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. In Saab, revenue is referred to as sales in the financial reporting.

*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 intan-

gible 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 and derivatives used in financial operations as well as financial revenue and expenses related to pensions.

**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 or loss as an expense when they arise. Development expenditures are recognised in the statement of financial position at cost less accumulated amortisation and any impairment losses. Customer-financed research and development is recognised in cost of goods sold rather than capitalised.

*Other intangible fixed assets*

Other 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 14 aircraft owned by legal entities within Saab Aircraft Leasing and leased out via operating leases. Saab Aircraft Leasing's fleet consists of 49 Saab 340, of which 35 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 (the pool of units).

Impairment of goodwill is not reversed. Impairment losses from other assets are reversed if a change has occurred in the assumptions that served as the basis for determining recoverable value. Impairment is reversed only to the extent the carrying amount of the assets following the reversal does not exceed the carrying amount that the asset would have had if the impairment had not been recognised, taking into account the depreciation or amortisation that would have been recognised.

#### 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. Exceptions are made for derivatives where derivatives with positive values are recognised as assets and derivatives with negative values are recognised as liabilities.

*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.
- Available-for-sale financial assets: Available-for-sale financial assets are those assets that are available for sale or are not classified in any of the other categories of financial assets. These assets are measured at fair value. Changes in value are recognised directly in other comprehensive income. When assets are sold the cumulative value changes are reversed to the income statement. Unrealised decreases in value are recognised in other comprehensive income unless the decrease in value is significant and has lasted for a long period, when the value is impaired through the income statement. If the impairment relates to equity instruments, such as shares, the impairment is not reversed through the income statement.
- 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 derivatives 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 operating income 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) or the weighted average method and includes expenses to acquire inventory assets and bring them to their present location and condition. For finished and semifinished goods, cost consists of direct manufacturing expenses and a reasonable share of indirect manufacturing expenses as well as expenses to customise products for individual customers. Calculations take into account normal capacity utilisation.

#### **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 90 per cent (91) of the total obligation.

The Group's net obligation for defined-benefit plans is calculated separately for each plan by estimating the future compensation that employees have earned through employment in present and previous periods. This compensation is discounted to present value. 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.

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 2013, the date of transition to revised IAS 19, are recognised in equity and other items in the statement of

financial position. Actuarial gains and losses after 1 January 2012 are recognised directly in other comprehensive income. The same interest rate is used to calculate projected returns on assets under management as in discounting pension liabilities.

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.

#### *Onerous contracts*

A provision for an onerous contract is recognised when anticipated benefits are less than the unavoidable costs to fulfil the obligations as set out in the contract.

#### *Guarantees*

A provision for guarantees is normally recognised when the underlying products or services are sold if a reliable calculation of the provision can be made. The provision is based on historical data on guarantees for the products or similar products and an overall appraisal of possible outcomes in relation to the likelihood associated with these outcomes.

#### *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 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 are recognised through profit or loss in financial income and expenses.

Group contributions paid are recognised directly in the equity of the recipient and capitalised in the shares and participating interests of the parent, to the extent impairment is not required.

**NOTE 2 Assumptions in the Application of the Accounting Principles**

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

**UNCERTAINTIES IN ESTIMATES AND ASSUMPTIONS****Long-term customer contracts**

A majority of all long-term customer contracts contain significant development aspects, which are associated with risks. Before a contract is signed with a customer on delivery of a product, 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 onerous contracts as well as inventory valuations, and the outcome of technical and commercial risks may affect income.

In February 2013, an agreement was signed with FMV regarding development and production of Gripen E for Sweden and Switzerland. The total value of possible orders under the agreement amounts to SEK 47.2 billion, of which Saab has received orders of SEK 29.8 billion. The agreement includes rights for FMV to, conditional to certain prerequisites, to make cancellations. If so, Saab has, to a certain extent, the right to compensation for costs incurred and costs for discontinuation.

**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 1,338 (1,751). 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 4,605 (4,581).

**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 6,413 (7,164). 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 entered into force in 2013, the possibility to use the so-called corridor approach will be removed. This means that changes in actuarial gains and losses directly affect the pension obligation and hence the Group's financial position. See Note 37 for further information.

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

MSEK	Group		Parent Company	
	2013	2012	2013	2012
Sale of goods	3,964	4,147	2,221	2,412
Long-term customer contracts	13,891	13,965	10,231	8,764
Service assignments	5,891	5,893	4,068	4,162
Royalties	4	5	1	-
Total	23,750	24,010	16,521	15,338

**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 a leading high-technology company, with its main operations in defence, aviation and civil security. Operations are primarily focused on well-defined areas in defence electronics and missile systems as well as military and commercial aviation. Saab is also active in technical services and maintenance. Saab has a strong position in Sweden and the main part of sales is generated in Europe. In addition Saab has a local presence in South Africa, Australia, the US and other selected countries globally. Saab's operating and management structure is divided into six business areas which also represent operating segments; Aeronautics, Dynamics, Electronic Defence Systems, Security and Defence Solutions, Support and Services, and Combitech. Complementing them is Corporate, which comprises Group staff 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 for 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 niche products for the civil and the defence market, such as unmanned underwater vehicles for the offshore industry and 3D-mapping for the defence market.

### Electronic Defence Systems

These 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 avionics for both civil and military customers.

### Security and Defence Solutions

The operations comprise products and solutions in the area of command, 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 offers reliable, cost-efficient 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 company in the Saab Group, is one of Sweden's largest technology consulting firms. Combitech combines technological excellence with deep industry knowledge, comprehensive understanding and a particular focus on environment and security.

### Significant non-recurring items not affecting cash flow

Significant non-recurring items not affecting cash flow in 2013 is a non-recurring item of MSEK -133, related to the write-down of the value of shareholding in Pipavav.

In 2012 a non-recurring item of MSEK 207, pertaining to a reduced liability for a contingent consideration related to the acquisition of Sensis in 2011, was reported.

### 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 7,814 (6,524) in 2013.

### Information on geographical areas

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

### Seasonal variation

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

NOTE 4, CONT.

Group MSEK	Aeronautics		Dynamics		Electronic Defence Systems		Security and Defence Solutions		Support and Services		Combitech		Corporate		Eliminations		Group	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
External revenue	6,703	5,876	3,434	4,667	3,651	3,652	5,800	5,852	3,208	3,172	869	819	85	-28	-	-	<b>23,750</b>	<b>24,010</b>
Internal revenue	166	200	138	112	510	624	91	124	211	239	729	591	-	-	-1,845	-1,890	-	-
Total revenue	6,869	6,076	3,572	4,779	4,161	4,276	5,891	5,976	3,419	3,411	1,598	1,410	85	-28	-1,845	-1,890	<b>23,750</b>	<b>24,010</b>
Operating income before share in income of associated companies	457	359	313	614	-201	118	428	417	364	410	140	122	-181	-15	-	-	<b>1,320</b>	<b>2,025</b>
Share in income of associated companies	-1	-	11	7	-	-1	-	-	-	-	-	-	15	19	-	-	<b>25</b>	<b>25</b>
Operating income	456	359	324	621	-201	117	428	417	364	410	140	122	-166	4	-	-	<b>1,345</b>	<b>2,050</b>
Share in income of associated companies	-	-	-	2	-	-	-	-	-	-	-	-	-	-	-	-	-	<b>2</b>
Financial income	22	49	7	9	3	2	20	39	1	3	1	-	131	208	-123	-157	<b>62</b>	<b>153</b>
Financial expenses	-88	-83	-31	-23	-43	-45	-50	-56	-30	-22	-4	-3	-305	-127	123	157	<b>-428</b>	<b>-202</b>
Income before taxes	390	325	300	609	-241	74	398	400	335	391	137	119	-340	85	-	-	<b>979</b>	<b>2,003</b>
Taxes <sup>1)</sup>	-	-22	-78	-164	78	122	-51	-41	-51	-21	-33	-33	-102	-284	-	-	<b>-237</b>	<b>-443</b>
Net income for the year	390	303	222	445	-163	196	347	359	284	370	104	86	-442	-199	-	-	<b>742</b>	<b>1,560</b>
Assets	5,358	5,587	3,604	3,865	7,144	7,445	6,945	6,812	2,773	2,468	777	762	16,267	16,838	-14,963	-14,839	<b>27,905</b>	<b>28,938</b>
Of which shares in associated companies	2	-	69	62	4	10	-	-	-	-	-	-	263	228	-	-	<b>338</b>	<b>300</b>
Liabilities	4,952	5,269	2,035	2,321	3,682	3,519	4,454	4,205	2,124	1,710	431	431	5,712	7,683	-7,712	-7,480	<b>15,678</b>	<b>17,658</b>
Operating cash flow	-314	-425	394	498	213	-238	-255	-191	-17	387	159	-43	-1,660	-384	-	-	<b>-1,480</b>	<b>-396</b>
Capital employed	2,447	2,285	2,007	2,284	4,199	4,690	4,225	3,879	1,596	1,301	508	493	7,629	7,867	-7,251	-7,357	<b>15,360</b>	<b>15,442</b>
Investments	88	330	55	61	92	93	48	56	16	5	3	10	309	117	-	-	<b>611</b>	<b>672</b>
Depreciation and amortisation	147	233	62	173	475	404	128	138	19	19	8	8	195	197	-	-	<b>1,034</b>	<b>1,172</b>
Impairments	-	-	-	-	13	17	-	-	-	-	-	-	-	-	-	-	<b>13</b>	<b>17</b>

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

**Geographical areas**

Group MSEK	Sweden		EU excluding Sweden		Rest of Europe		North America		Latin America	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
External revenue <sup>1)</sup>	9,814	8,765	3,933	4,640	621	390	2,611	2,609	376	171
as % of revenue	41	36	17	19	3	2	11	11	2	1
Fixed assets	8,318	8,397	571	540	40	43	1,597	1,794	5	5

Group MSEK	Asia		Africa		Australia, etc.		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
External revenue <sup>1)</sup>	4,311	4,886	930	1,345	1,154	1,204	<b>23,750</b>	<b>24,010</b>
as % of revenue	18	20	4	6	5	5	<b>100</b>	<b>100</b>
Fixed assets	41	31	320	449	212	239	<b>11,104</b>	<b>11,498</b>

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

NOTE 4, CONT.

**Revenue by operating segment**

<b>Parent Company</b>		
<b>MSEK</b>	<b>2013</b>	<b>2012</b>
Aeronautics	6,708	5,896
Electronic Defense Systems	3,013	3,361
Security and Defence Solutions	3,752	3,045
Support and Services	3,048	3,036
<b>Total</b>	<b>16,521</b>	<b>15,338</b>

**Revenue by geographical market**

<b>Parent Company</b>		
<b>MSEK</b>	<b>2013</b>	<b>2012</b>
Sweden	8,732	7,494
EU excluding Sweden	2,501	2,324
Rest of Europe	249	142
North America	1,288	1,175
Latin America	198	101
Asia	3,002	3,150
Africa	356	570
Australia, etc.	195	382
<b>Total</b>	<b>16,521</b>	<b>15,338</b>

**NOTE 5 Other Operating Income**

<b>MSEK</b>	<b>Group</b>		<b>Parent Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Gain from reversal of earn out liability	106	207	-	-
Gain on sale of intangible and tangible fixed assets	37	4	37	3
Trading result	21	31	21	31
Government grants	12	21	9	20
Gain from other operating activities	4	34	16	16
Exchange rate gains on operating receivables/liabilities and change in value of derivatives	1	9	2	-
Gain on sale of associated companies	-	11	-	-
Change in fair value of biological assets	-	1	-	-
Gain on sale of Group companies	-	1	-	-
Other	23	19	2	7
<b>Total</b>	<b>204</b>	<b>338</b>	<b>87</b>	<b>77</b>

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.

**NOTE 6 Other Operating Expenses**

<b>MSEK</b>	<b>Group</b>		<b>Parent Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Cost related to lost legal dispute	-231	-	-231	-
Change in fair value of biological assets	-10	-	-	-
Exchange rate losses on operating receivables/liabilities and change in value of derivatives	-8	-2	-10	-8
Revaluation of investment properties	-2	-1	-	-
Loss from other operating activities	-1	-4	-	-
Loss on sale of tangible fixed assets	-1	-3	-1	-3
Loss on sale of Group companies	-	-2	-	-
Other	-4	-7	-12	-
<b>Subtotal</b>	<b>-257</b>	<b>-19</b>	<b>-254</b>	<b>-11</b>
Change in fair value of derivatives	-9	-	-	-
Change in value of contracted flows	9	-	-	-
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>-257</b>	<b>-19</b>	<b>-254</b>	<b>-11</b>

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 2013, MSEK 74 (85) has been received. MSEK 83 (87) 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 34 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 2013, the National Debt Office has paid out MSEK 263 (263). The debt as of 31 December 2013 amounts to MSEK 177 (192), which reduces inventory in the financial statements.

No contingent liabilities or contingent assets are reported.

**NOTE 8 Business Combinations**

In May 2013, Saab announced the signing of an agreement to acquire Tekniskinformation i Krokomb AB (TIKAB), a company that produces and supplies technical documentation for the civilian and military market and has 67 employees. The acquisition expands Saab's service portfolio in technical services, further strengthening the company's competitiveness as a supplier of support solutions. The company is included in the Group's consolidated accounts from 1 May 2013.

In September 2013, Saab announced the acquisition of Hydro-Lek Limited, a UK manipulator and tooling manufacturer for underwater vehicles with 25 employees. The acquisition strengthens Saab Seaeeye's product portfolio of remotely operated, autonomous and hybrid underwater vehicles with the ambition to make the company grow further. The company is included in the Group's consolidated accounts from 1 September 2013.

The total consideration of these acquisitions amounted to MSEK 50 of which MSEK 47 was paid in cash and MSEK 3 in an earn-out liability that may be paid out based on future earnings. Acquired assets primarily consist of intangible assets, working capital and operating properties, and amount to MSEK 31. Goodwill from the acquisitions amounts to MSEK 19 and is mainly attributable to the combined workforce and future synergies. The effect on liquid assets amounts to MSEK -43. Sales from the acquired entities amount to MSEK 36.

No other significant acquisitions were made in 2013.

**NOTE 9 Employees and Staff Costs****Average number of employees**

	2013	of whom men	2012	of whom men		2013	of whom men	2012	of whom men
<b>Parent Company</b>					<b>Group companies</b>				
Sweden	8,568	80%	8,063	80%	Sweden	2,576	76%	2,892	78%
United Arab Emirates	14	100%	16	100%	South Africa	820	74%	858	72%
Pakistan	12	100%	9	100%	USA	690	74%	677	73%
Norway	10	100%	3	100%	Australia	300	80%	327	78%
Kenya	8	63%	2	100%	UK	211	81%	170	82%
South Korea	7	71%	-	-	Czech Republic	136	79%	140	80%
Somalia	6	100%	-	-	Netherlands	129	91%	119	91%
Thailand	6	83%	7	86%	Norway	89	75%	88	76%
Saudi Arabia	4	100%	3	100%	Germany	89	87%	88	82%
Belgium	4	50%	3	67%	Denmark	58	86%	68	85%
France	3	100%	3	100%	Switzerland	54	94%	48	100%
Turkey	3	67%	3	67%	Canada	54	87%	53	85%
Canada	3	100%	2	100%	Finland	52	77%	54	74%
Switzerland	3	67%	1	100%	India	39	69%	33	70%
Croatia	2	50%	2	50%	Kenya	37	95%	32	100%
UK	2	100%	1	100%	Hongkong	15	73%	14	71%
Czech Republic	2	50%	3	100%	Thailand	11	73%	-	-
Brazil	2	100%	9	67%	Croatia	9	78%	-	-
Finland	2	50%	-	-	Brazil	7	43%	-	-
Indonesia	2	100%	-	-	Poland	4	75%	-	-
India	1	100%	4	75%	United Arab Emirates	4	75%	-	-
Malaysia	1	100%	3	67%	Malaysia	3	67%	-	-
Denmark	1	100%	-	-	Chile	2	100%	1	100%
Japan	1	100%	-	-	South Korea	1	100%	5	80%
South Africa	-	-	11	82%	Greece	1	100%	1	100%
USA	-	-	9	100%	Singapore	1	-	1	-
Poland	-	-	5	80%	Bulgaria	1	-	-	-
Australia	-	-	1	100%	Japan	-	-	1	100%
Germany	-	-	1	100%	Group companies, total	5,393	77%	5,670	77%
Parent Company, total	8,667	80%	8,164	80%					

<b>Group total</b>	<b>14,060</b>	<b>79%</b>	<b>13,834</b>	<b>79%</b>
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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	2013	2012
<b>Parent Company</b>		
Board of Directors	33	22
Other senior executives	30	36

**Salaries, other remuneration and social security expenses**

MSEK	2013		2012	
	Salaries and other remuneration	Social security expenses	Salaries and other remuneration	Social security expenses
<b>Parent Company</b>	<b>4,534</b>	<b>2,027</b>	<b>4,223</b>	<b>1,719</b>
of which pension costs		628		442 <sup>1)</sup>
<b>Group companies</b>	<b>2,767</b>	<b>828</b>	<b>2,867</b>	<b>983</b>
of which pension costs <sup>3)</sup>		402		513
<b>Group, total</b>	<b>7,301</b>	<b>2,855</b>	<b>7,090</b>	<b>2,702</b>
of which pension costs		1,030	-	955 <sup>2)</sup>

1) Of the Parent Company's pension costs, MSEK 10 (18) refers to the Parent Company's Board and President, including deputies and Executive Vice President. The company's outstanding pension obligations for these individuals, amount to MSEK 24 (62), of which MSEK 24 (62) refers to former Board members and Presidents, including deputies and Executive Vice Presidents.

2) Of the Group's pension costs, MSEK 19 (29) refers to the Group's boards and Presidents, including Group companies. The Group's outstanding pension obligations for these individuals amount to MSEK 28 (68), of which MSEK 24 (62) 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.

NOTE 9, CONT.

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

MSEK	2013		2012	
	Board, President and Vice Presidents	Other employees	Board, President and Vice Presidents	Other employees
<b>Parent Company</b>	<b>24</b>	<b>4,510</b>	<b>19</b>	<b>4,204</b>
of which variable remuneration	-		-	
<b>Group companies</b>	<b>74</b>	<b>2,693</b>	<b>57</b>	<b>2,810</b>
of which variable remuneration	3		4	
<b>Group total</b>	<b>98</b>	<b>7,203</b>	<b>76</b>	<b>7,014</b>
of which variable remuneration	3		4	

Of the salaries and remuneration paid to other employees in the Group, MSEK 36 (40) 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	
	2013	2012	2013	2012
<b>PwC</b>				
Audit assignments	16	15	9	9
Audit work in excess of the audit assignment	1	1	1	1
Tax advice	2	2	-	-
Other services	1	3	-	4
<b>Other audit firms</b>				
Audit assignments	2	2	-	-
<b>Total</b>	<b>22</b>	<b>23</b>	<b>10</b>	<b>14</b>

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**

Group	2013	2012
<b>MSEK</b>		
Raw materials, materials and consumables	4,836	5,059
Subsystems and equipment	847	961
Purchased services	1,976	1,990
Change in inventory of finished goods and work in progress, excluding write down	-409	119
Personnel costs	10,156	9,792
Depreciation and amortisation	1,009	1,119
Impairments	50	29
Other expenses	3,912	3,235
<b>Total</b>	<b>22,377</b>	<b>22,304</b>

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	2013	2012
<b>MSEK</b>		
<b>Depreciation/amortisation</b>		
Capitalised development costs	-454	-590
Other intangible fixed assets	-170	-143
Operating properties	-96	-95
Plant and machinery	-175	-193
Equipment, tools and installations	-114	-96
Leasing aircraft	-25	-53
Other lease assets	-	-2
<b>Total</b>	<b>-1,034</b>	<b>-1,172</b>
<b>Impairments</b>		
Plant and machinery	-13	-17
<b>Total</b>	<b>-13</b>	<b>-17</b>

In 2013, impairments of MSEK 13 were recognised on plant and machinery with regard to radar operations in the us.

In 2012, impairments of MSEK 17 were recognised on plant and machinery with regard to a demonstrator system within Electronic Defence Systems.

**Parent Company**

MSEK	2013	2012
<b>Depreciation/amortisation</b>		
Capitalised development costs	-200	-200
Goodwill	-39	-39
Other intangible fixed assets	-100	-86
Buildings	-64	-65
Plant and machinery	-103	-105
Equipment, tools and installations	-66	-53
<b>Total</b>	<b>-572</b>	<b>-548</b>

**NOTE 13 Financial Income and Expenses**

Group	2013	2012
<b>MSEK</b>		
Interest income on loans receivable	65	168
Less project interest applied to gross income	-3	-15
Financial income	62	153
Interest expenses on loans and financial liabilities	-42	-44
Interest expense, lost legal dispute	-83	-
Financial expense from revaluation of financial assets available-for-sale	-133	-
Financial expenses from revaluation and disposal of financial assets and liabilities measured at fair value through profit or loss	-51	-20
Financial expenses related to pensions	-74	-73
Other financial expenses	-45	-65
Financial expenses	-428	-202
Share in income of associated companies	-	2
<b>Net financial income and expenses</b>	<b>-366</b>	<b>-47</b>

Figures presented for 2012 are restated due to changed categorisation.

Parent Company	Result from shares in Group companies		Result from shares in associated companies/joint ventures	
	2013	2012	2013	2012
<b>MSEK</b>				
Dividends	654	55	430	-
Group contributions received	310	847	-	-
Capital gain on sale of shares	-	38	-	-3
Impairments	-69	-47	-430	-
Other	-20	-58	8	15
Total	875	835	8	12

Parent Company	Result from other securities and receivables held as fixed assets		Other interest income and similar profit/loss items	
	2013	2012	2013	2012
<b>MSEK</b>				
Interest income, Group companies	-	-	124	127
Other interest income	-	-	74	169
Impairment	-133	-2	-	-
Translation differences	-14	33	-	-
Net change in value from revaluation of financial assets/liabilities	-12	-39	-	-
Less project interest applied to gross income	-	-	-3	-15
Other	-21	-21	-	-
Total	-180	-29	195	281

Parent Company	Interest expenses and similar profit/loss items	
	2013	2012
<b>MSEK</b>		
Interest expenses, Group companies	-51	-110
Other interest expenses	-140	-75
Total	-191	-185

**NOTE 14 Appropriations**

Parent Company	2013	2012
<b>MSEK</b>		
Buildings and land	14	16
Plant and machinery as well as equipment, tools and installations	24	17
Total difference between tax depreciation and depreciation according to plan	38	33
Tax allocation reserve	-322	-514
<b>Total</b>	<b>-284</b>	<b>-481</b>

**NOTE 15 Taxes****Tax recognised through profit or loss**

Net tax is comprised of current tax and deferred tax. Current tax is calculated based on applicable tax laws in the countries in which parent company and subsidiaries are active and generate taxable income.

Deferred tax is recognised on all temporary differences; i.e., differences between, on the one hand, the value of assets and liabilities for tax purposes and, on the other, their carrying amounts in the consolidated accounts and tax loss carry forwards. The company recognises deferred tax assets in those cases in which the company deems it likely that the amounts may be offset against future taxable surpluses.

Group	2013	2012
<b>MSEK</b>		
<b>Current tax expense (-)/tax income (+)</b>		
Taxes for the year	-324	-557
Adjustment for taxes related to previous years	134	-14
Total	-190	-571
<b>Deferred tax expense (-)/tax income (+)</b>		
Deferred tax related to temporary differences	13	83
Deferred tax related to value of tax loss carry forwards capitalised during the year	33	39
Deferred tax expense due to utilisation of previously capitalised tax value in tax loss carry forwards	-7	-17
Deferred tax related to previous years	-86	23
Total	-47	128
<b>Total recognised tax in the Group</b>	<b>-237</b>	<b>-443</b>

Tax recognised in profit or loss for 2012 has been restated in accordance with the changed accounting principles for pensions (IAS 19).

The Group's overall deferred tax amounts to MSEK -47 (128) and current tax expense for the year amounts to MSEK -190 (-571), producing a total recognised tax of MSEK -237 (-443) in the consolidated income statement. The table "Change in deferred tax in temporary differences and tax loss carry forwards" for the Group, on page 87, specifies how deferred tax affects income.



NOTE 15, CONT.

**Expiration of recognised and unrecognised tax loss carry forwards**

<b>MSEK</b> <b>Expiration</b>	<b>Recognised tax loss carry forwards</b>	<b>Unrecognised tax loss carry forwards</b>
Unlimited expiration	247	103
2021	32	-
2024	22	-
2029	6	-
2030	68	-
2031	166	-
2032	7	-
<b>Total tax loss carry forwards</b>	<b>548</b>	<b>103</b>
Recognised deferred tax asset	188	-

At the close of 2013 Saab's unrecognised tax loss carry forwards totalled MSEK 103 (151). Tax loss carry forwards attributable to the US operations can be utilised through 2032, but expire in part as of 2021.

<b>Parent Company</b> <b>MSEK</b>	<b>Deferred tax assets 31-12-2013</b>	<b>Deferred tax liabilities 31-12-2013</b>	<b>Net</b>
Tangible fixed assets	-	-196	-196
Inventories	93	-	93
Accounts receivable	2	-	2
Prepaid expenses and accrued income	1	-	1
Provisions for pensions	93	-	93
Other provisions	152	-	152
Accrued expenses and deferred income	37	-	37
<b>Tax assets/liabilities, total</b>	<b>378</b>	<b>-196</b>	<b>182</b>
Set-off	-196	196	-
<b>Tax assets/liabilities, net</b>	<b>182</b>	<b>-</b>	<b>182</b>

<b>Parent Company</b> <b>MSEK</b>	<b>Deferred tax assets 31-12-2012</b>	<b>Deferred tax liabilities 31-12-2012</b>	<b>Net</b>
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
<b>Tax assets/liabilities, total</b>	<b>365</b>	<b>-197</b>	<b>168</b>
Set-off	-197	197	-
<b>Tax assets/liabilities, net</b>	<b>168</b>	<b>-</b>	<b>168</b>

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**

<b>MSEK</b>	<b>Group</b>	<b>Parent Company</b>
Deferred tax assets expected to be recovered within one year	58	9
Deferred tax assets expected to be recovered after one year	1,268	369

**Estimated utilisation dates of recognised deferred tax liabilities**

<b>MSEK</b>	<b>Group</b>	<b>Parent Company</b>
Deferred tax liabilities due for payment within one year	40	10
Deferred tax liabilities due for payment after one year	1,548	186

NOTE 15, CONT.

**Change in deferred tax in temporary differences and tax loss carry forwards**

Group MSEK	Opening balance 1 Jan 2013	Recognised in profit or loss	Recognised in the comprehensive income	Acquisition/divest- ment of operations	Translation difference	Closing balance 31 Dec 2013
Intangible fixed assets	-521	133	-	-4	-	-392
Tangible fixed assets	-371	10	-	-	-	-361
Lease assets	-62	23	-	-	-1	-40
Biological assets	-44	2	-	-	-	-42
Long-term receivables	-14	-3	-	-	-	-17
Inventories	203	-11	-	-	-5	187
Accounts receivable	6	1	-	-	-	7
Prepaid expenses and accrued income	24	-3	-	-	-	21
Long-term liabilities	53	-6	-	-	-	47
Provisions for pensions	639	37	-285	-	-	391
Other provisions	426	-142	-	-	-	284
Tax allocation reserves	-193	-71	-	-	-	-264
Contingency reserve attributable to Lansen Försäkrings AB	-299	-	-	-	-	-299
Accrued expenses and deferred income	122	-14	-	-	-	108
Other	-102	-29	59	-	-8	-80
Tax loss carry forwards	162	26	-	-	-	188
<b>Total</b>	<b>29</b>	<b>-47</b>	<b>-226</b>	<b>-4</b>	<b>-14</b>	<b>-262</b>

The Group's total deferred tax expense/income in the 2013 income statement amounted to MSEK -47. The Group's total deferred tax income/expense in the statement of comprehensive income amounted to MSEK -226. The closing balance on 31 December 2013, MSEK -262, consisted of deferred tax assets of MSEK 239 and tax liabilities of MSEK -501, see table on page 85.

The net change in the year's tax loss carry forwards, excluding acquisition/divestment of operations, totals MSEK 26, which is the amount of

deferred tax on capitalised tax value in tax loss carry forwards, MSEK 33, and deferred tax expense due to utilisation of previously capitalised tax value in tax loss carry forwards, MSEK -7.

Other numbers in the "Recognised in profit or loss" column in the table above total MSEK -73, which is the amount of deferred tax related to temporary differences and deferred tax attributable to previous years.

Group MSEK	Opening balance 1 Jan 2012	Recognised in profit or loss	Recognised in the comprehensive income	Acquisition/ divestment of operations	Adjustment due to change of a ccounting principles	Translation difference	Closing balance 31 Dec 2012
Intangible fixed assets	-645	188	-	-57	-	-7	-521
Tangible fixed assets	-484	88	-	25	-	-	-371
Lease assets	-100	58	-	-	-	-20	-62
Biological assets	-52	8	-	-	-	-	-44
Long-term receivables	-38	24	-	-	-	-	-14
Inventories	241	-38	-	-	-	-	203
Accounts receivable	6	-	-	-	-	-	6
Prepaid expenses and accrued income	27	-3	-	-	-	-	24
Long-term liabilities	89	-39	3	-	-	-	53
Provisions for pensions	611	59	82	1	-104	-10	639
Other provisions	603	-177	-	-	-	-	426
Tax allocation reserves	-94	-99	-	-	-	-	-193
Contingency reserve attributable to Lansen Försäkrings AB	-357	58	-	-	-	-	-299
Accrued expenses and deferred income	169	-47	-	-	-	-	122
Other	-142	26	14	-	-	-	-102
Tax loss carry forwards	142	22	-	4	-	-6	162
<b>Total</b>	<b>-24</b>	<b>128</b>	<b>99</b>	<b>-27</b>	<b>-104</b>	<b>-43</b>	<b>29</b>

The Group's total deferred tax expense in the 2012 income statement amounted to MSEK 128. The Group's total deferred tax income in the statement of comprehensive income amounted to MSEK 99. The closing balance on 31 December 2012, MSEK 29, consisted of deferred tax assets of MSEK 213 and tax liabilities of MSEK -184, see table on page 85.

**Tax items recognised directly against other comprehensive income**

Group MSEK	2013	2012
Provisions for pensions	-285	85
Cash flow hedges	59	14
<b>Total</b>	<b>-226</b>	<b>99</b>

**NOTE 16 Intangible Fixed Assets**

MSEK	Group		Parent Company	
	31-12-2013	31-12-2012	31-12-2013	31-12-2012
Goodwill	4,605	4,581	493	532
Capitalised development costs	1,338	1,751	662	856
Other intangible assets	397	517	237	273
<b>Total</b>	<b>6,340</b>	<b>6,849</b>	<b>1,392</b>	<b>1,661</b>

**Goodwill**

MSEK	Group		Parent Company	
	2013	2012	2013	2012
<b>Acquisition value</b>				
Opening balance, 1 January	5,278	4,920	784	784
Acquired through business acquisitions	37	421	-	-
Divestments	-	-9	-	-
Translation differences	-13	-54	-	-
<b>Closing balance, 31 December</b>	<b>5,302</b>	<b>5,278</b>	<b>784</b>	<b>784</b>
<b>Amortisation and impairments</b>				
Opening balance, 1 January	-697	-697	-252	-213
Amortisation for the year	-	-	-39	-39
<b>Closing balance, 31 December</b>	<b>-697</b>	<b>-697</b>	<b>-291</b>	<b>-252</b>
<b>Carrying amount, 31 December</b>	<b>4,605</b>	<b>4,581</b>	<b>493</b>	<b>532</b>

Acquired through business acquisitions in the Group 2013 relates to Hydro-Lek Limited and Teknikinformation i Krokomb AB (TIKAB) as well as an adjustment related to the acquisition of MEDAV GmbH. Acquired through business acquisitions 2012 relates to HIT N.V., MEDAV GmbH, Täby Displayteknik AB, Sörman Intressenter AB and Bayes Risk Management AS.

**Capitalised development costs**

MSEK	Group		Parent Company	
	2013	2012	2013	2012
<b>Acquisition value</b>				
Opening balance, 1 January	5,895	5,551	2,000	2,000
Acquired through business acquisitions	17	144	10	-
Internally developed assets	24	292	-	-
Disposals and reclassifications	-14	-66	-	-
Translation differences	-24	-26	-	-
<b>Closing balance, 31 December</b>	<b>5,898</b>	<b>5,895</b>	<b>2,010</b>	<b>2,000</b>
<b>Amortisation and impairments</b>				
Opening balance, 1 January	-4,144	-3,601	-1,144	-944
Amortisation for the year	-454	-590	-200	-200
Acquired through business acquisitions	-	-27	-4	-
Disposals and reclassifications	14	59	-	-
Translation differences	24	15	-	-
<b>Closing balance, 31 December</b>	<b>-4,560</b>	<b>-4,144</b>	<b>-1,348</b>	<b>-1,144</b>
<b>Carrying amount, 31 December</b>	<b>1,338</b>	<b>1,751</b>	<b>662</b>	<b>856</b>

Acquired through business acquisitions 2013 relates primarily to Hydro-Lek Limited. Acquired through business acquisitions 2012 relates to HIT N.V., MEDAV GmbH, Täby Displayteknik AB och Sörman Intressenter AB.

**Other intangible assets**

MSEK	Group		Parent Company	
	2013	2012	2013	2012
<b>Acquisition value</b>				
Opening balance, 1 January	1,879	1,749	1,473	1,426
Acquired through business acquisitions	5	96	-	-
Investments	44	51	64	48
Disposals and reclassifications	-275	-2	-276	-1
Translation differences	-2	-15	-	-
<b>Closing balance, 31 December</b>	<b>1,651</b>	<b>1,879</b>	<b>1,261</b>	<b>1,473</b>
<b>Amortisation and impairments</b>				
Opening balance, 1 January	-1,362	-1,223	-1,200	-1,115
Amortisation for the year	-170	-143	-100	-86
Acquired through business acquisitions	-	-3	-	-
Disposals and reclassifications	276	2	276	1
Translation differences	2	5	-	-
<b>Closing balance, 31 December</b>	<b>-1,254</b>	<b>-1,362</b>	<b>-1,024</b>	<b>-1,200</b>
<b>Carrying amount, 31 December</b>	<b>397</b>	<b>517</b>	<b>237</b>	<b>273</b>

Acquired through business acquisitions 2013 relates to Teknikinformation i Krokomb AB (TIKAB). Acquired through business acquisitions 2012 relates primarily to HIT N.V., MEDAV GmbH and Bayes Risk Management AS and comprises order backlog, patents and customer relations.

**Amortisation is included in the following lines in the income statement**

MSEK	Group		Parent Company	
	2013	2012	2013	2012
Cost of goods sold	168	141	139	125
Marketing expenses	2	2	-	-
Research and development costs	454	590	200	200

**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 397, MSEK 297 is attributable to acquired values and MSEK 100 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.

Goodwill in the Parent Company relates to goodwill arising from the purchase of the net assets of Saab Microwave Systems.

NOTE 16, CONT.

MSEK	31-12-2013	31-12-2012
Dynamics	585	570
Electronic Defence Systems	2,337	2,335
Security and Defence Solutions	1,177	1,172
Support and Services	246	240
Combitech	260	264
<b>Total goodwill</b>	<b>4,605</b>	<b>4,581</b>

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. For Electronic Defence Systems, forecast cash flows have exceeded the outcome of the last two years.

#### 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 than for units with a short order backlog.

The following discount rates have been used (pre-tax):

Per cent	Pre-tax discount rate (WACC)	
	2013	2012
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	
	31-12-2013	31-12-2012	31-12-2013	31-12-2012
Operating properties/buildings and land <sup>1)</sup>	1,888	1,981	1,340	1,357
Plant and machinery	651	730	445	481
Equipment, tools and installations	349	312	197	173
Construction in progress	351	139	297	115
<b>Total</b>	<b>3,239</b>	<b>3,162</b>	<b>2,279</b>	<b>2,126</b>

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 land<sup>1)</sup>

MSEK	Group		Parent Company	
	2013	2012	2013	2012
<b>Acquisition value</b>				
Opening balance, 1 January	4,917	4,899	1,881	1,872
Investments	43	15	41	9
Reclassifications	-13	30	6	-
Divestments	-36	-1	-	-
Translation differences	-30	-26	-	-
<b>Closing balance, 31 December</b>	<b>4,881</b>	<b>4,917</b>	<b>1,928</b>	<b>1,881</b>

##### Depreciation and impairments

Opening balance, 1 January	-2,936	-2,849	-1,421	-1,359
Depreciation for the year	-96	-95	-64	-65
Reclassifications	24	-	-	-
Divestments	13	3	-	3
Translation differences	2	5	-	-
<b>Closing balance, 31 December</b>	<b>-2,993</b>	<b>-2,936</b>	<b>-1,485</b>	<b>-1,421</b>

##### Revaluations

Opening balance, 1 January	-	-	897	897
<b>Closing balance, 31 December</b>	<b>-</b>	<b>-</b>	<b>897</b>	<b>897</b>

<b>Carrying amount, 31 December</b>	<b>1,888</b>	<b>1,981</b>	<b>1,340</b>	<b>1,357</b>
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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.

Operating properties include a property leased by Saab Sensis in the us through a financial lease. The financial lease extends through 2025. The carrying amount is MSEK 89. The property is depreciated on a straight-line basis over its period of use through 2025.

Total future minimum lease fees amount to MSEK 113, of which MSEK 9 is due within one year, MSEK 37 after one year but within five years, and MSEK 67 after five years. The present value of future minimum lease fees is MSEK 93.

NOTE 17, CONT.

**Plant and machinery**

MSEK	Group		Parent Company	
	2013	2012	2013	2012
<b>Acquisition value</b>				
Opening balance, 1 January	3,264	2,962	2,308	1,893
Acquired through business acquisitions	8	26	-	-
Acquisitions from companies within the Group	-	-	-	104
Investments	98	100	59	39
Reclassifications	26	281	10	296
Divestments	-60	-63	-47	-24
Translation differences	-26	-42	-	-
Closing balance, 31 December	3,310	3,264	2,330	2,308
<b>Depreciation and impairments</b>				
Opening balance, 1 January	-2,534	-2,163	-1,827	-1,433
Depreciation for the year	-175	-193	-103	-105
Impairments for the year	-13	-17	-	-
Acquired through business acquisitions	-4	-20	-	-
Acquisitions from companies within the Group	-	-	-	-86
Reclassifications	-10	-229	-1	-224
Divestments	57	57	46	21
Translation differences	20	31	-	-
Closing balance, 31 December	-2,659	-2,534	-1,885	-1,827
<b>Carrying amount, 31 December</b>	<b>651</b>	<b>730</b>	<b>445</b>	<b>481</b>

In 2013, impairments of MSEK 13 were recognised on plant and machinery with regard to radar operations in the US. In 2012, impairments of MSEK 17 were recognised with regard to a demonstrator system within Electronic Defence Systems. Acquired through business acquisitions 2013 relates to Teknikinformation i Krokomb AB (TIKAB) as well as Hydro-Lek Limited and 2012 to HITT N.V. and MEDAV GmbH.

**Equipment, tools and installations**

MSEK	Group		Parent Company	
	2013	2012	2013	2012
<b>Acquisition value</b>				
Opening balance, 1 January	1,797	2,081	1,093	1,271
Acquired through business acquisitions	2	1	-	-
Acquisitions from companies within the Group	-	-	-	48
Investments	146	133	82	79
Reclassifications	15	-242	8	-237
Sales	-95	-163	-56	-68
Translation differences	-24	-13	-	-
Closing balance, 31 December	1,841	1,797	1,127	1,093
<b>Depreciation and impairments</b>				
Opening balance, 1 January	-1,485	-1,789	-920	-1,122
Depreciation for the year	-114	-96	-66	-53
Acquired through business acquisitions	-2	-	-	-
Acquisitions from companies within the Group	-	-	-	-39
Reclassifications	-2	233	-	226
Sales	90	157	56	68
Translation differences	21	10	-	-
Closing balance, 31 December	-1,492	-1,485	-930	-920
<b>Carrying amount, 31 December</b>	<b>349</b>	<b>312</b>	<b>197</b>	<b>173</b>

Acquired through business acquisitions relates to Teknikinformation i Krokomb AB (TIKAB) for 2013 and Täby Displayteknik AB for 2012.

**Construction in progress**

MSEK	Group		Parent Company	
	2013	2012	2013	2012
<b>Acquisition value</b>				
Opening balance, 1 January	139	131	115	118
Investments	256	80	205	58
Reclassifications	-40	-72	-23	-61
Divestments	-2	-	-	-
Translation differences	-2	-	-	-
<b>Carrying amount, 31 December</b>	<b>351</b>	<b>139</b>	<b>297</b>	<b>115</b>

**Collateral**

On 31 December 2013 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 49 are included in Saab's leasing fleet, of which 14 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	2013	2012
<b>Acquisition value</b>		
Opening balance, 1 January	942	2,336
Sales	-323	-1,342
Translation differences	-1	-52
Closing balance, 31 December	618	942
<b>Depreciation</b>		
Opening balance, 1 January	-543	-1,373
Sales	195	841
Depreciation for the year	-25	-53
Translation differences	-	42
Closing balance, 31 December	-373	-543
<b>Impairments</b>		
Opening balance, 1 January	-97	-195
Sales and revaluations	49	97
Translation differences	-	1
Closing balance, 31 December	-48	-97
<b>Total</b>	<b>197</b>	<b>302</b>
<b>Other lease assets</b>		
Opening balance, 1 January	2	3
Acquisitions	-	1
Depreciation for the year	-	-2
Translation differences	-2	-
Closing balance, 31 December	-	2
<b>Carrying amount, 31 December</b>	<b>197</b>	<b>304</b>

**Leasing fees for aircraft obtained/leased via operating leases**

MSEK	Payments to lessors	Payments from airlines <sup>1)</sup>	Payments from airlines <sup>2)</sup>
<b>Outcome</b>			
2012	248	72	20
2013	235	79	16
<b>Contracted</b>			
2014	94	38	15
2015	-	-	15
2016	-	-	15
2017	-	-	15
2018	-	-	5
2019 and forward	-	-	-
Total contracted	94	38	65

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 leases<sup>1)</sup>**

Other leasing fees refer to premises, computers and cars.

Group	Premises and buildings	Machinery and equipment
<b>MSEK</b>		
<b>Outcome</b>		
2012	232	146
2013	240	155
<b>Contracted</b>		
2014	242	135
2015	222	98
2016	194	57
2017	161	31
2018	143	4
2019 and forward	524	4
Total contracted	1,486	329

NOTE 18, CONT.

Parent Company	Premises and buildings	Machinery and equipment
MSEK		
<b>Outcome</b>		
2012	170	114
2013	173	126
<b>Contracted</b>		
2014	185	113
2015	174	83
2016	161	51
2017	145	26
2018	133	-
2019 and forward	517	-
Total contracted	1,315	273

1) The Group has a finance lease on a building; see Note 17.

## NOTE 19 Biological Assets

Group	2013	2012
MSEK		
<b>Living forest</b>		
Carrying amount, 1 January	306	305
Change in fair value	4	10
Less fair value logging	-14	-9
Carrying amount, 31 December	296	306
Of which fixed assets	296	306

On 31 December 2013, biological assets consisted of approximately 389,000 m<sup>3</sup> of spruce, 644,000 m<sup>3</sup> of pine and 72,000 m<sup>3</sup> of hardwood. Forest growth is estimated at 40,000 m<sup>3</sup> timber per year. During the year, approximately 42,700 m<sup>3</sup> of timber was felled, which had a fair value in the Group, after deducting selling expenses, of MSEK 14 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 (4,457 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	2013	2012
MSEK		
Carrying amount, 1 January	33	224
Divestment	-	-190
Revaluation	-2	-1
Carrying amount, 31 December	31	33

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	2013	2012
MSEK		
<b>Effect on net income/net rental income</b>		
Rental income	4	4
Direct costs for investment properties that generated rental income during the year	-2	-2
Effect on net income /net rental income	2	2

### 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 mainly leased out to other companies in the Group and are therefore classified as operating properties in the Group.

Parent Company	2013	2012
MSEK		
<b>Fair value</b>		
Opening fair value, 1 January	164	165
Revaluation	-	-1
Closing fair value, 31 December	164	164

Parent Company	2013	2012
MSEK		
<b>Effect on net income/net rental income</b>		
Rental income	25	24
Direct costs for investment properties that generated rental income during the year	-8	-8
Effect on net income /net rental income	17	16

### Information on carrying amount of investment properties in the Parent Company

Parent Company	2013	2012
MSEK		
<b>Accumulated acquisition value</b>		
Opening balance, 1 January	128	127
Acquisitions	-	1
Closing balance, 31 December	128	128

Parent Company	2013	2012
MSEK		
<b>Accumulated depreciation according to plan</b>		
Opening balance, 1 January	-94	-91
Depreciation according to plan for the year	-4	-3
Closing balance, 31 December	-98	-94

Parent Company	2013	2012
MSEK		
<b>Accumulated revaluations</b>		
Opening balance, 1 January	66	66
Closing balance, 31 December	66	66

<b>Carrying amount, 31 December</b>	<b>96</b>	<b>100</b>
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**NOTE 21 Shares in Associated Companies Consolidated According to the Equity Method**

Group	2013	2012	2012	Country	Sales	Share in associated companies' income
MSEK			MSEK			
Carrying amount, 1 January	300	288				
Acquisition of associated companies	3	-				
Sale of associated companies	-	-7				
Share in associated companies' income <sup>1)</sup>	25	27				
New share issues	20	-				
Reclassifications	11	3				
Translation differences and internal gains	-11	-9				
Dividends	-10	-2				
Carrying amount, 31 December	338	300				
1) Share in associated companies' net income and non-controlling interests.						
<b>Associated companies</b>						
			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, mainly in the venture portfolio		15	-4
			<b>Total</b>		<b>935</b>	<b>27</b>

The Group's 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. In previous years, results from Wah Nobel (Pvt) Ltd. were recognised as financial income and expenses through profit or loss.

Saab has not made any significant acquisitions or sales of shares in associated companies during 2013.

Shares in associated companies as of 31 December 2013 include goodwill of MSEK 60 (58).

The Group's share of sales, income, assets, liabilities and the carrying amount of shares in associated companies is as follows.

2013	Country	Sales	Share in associated companies' income
MSEK			
<b>Associated companies</b>			
Hawker Pacific Airservices Ltd	Hong Kong	510	-2
Wah Nobel (Pvt) Ltd	Pakistan	22	4
Taurus Systems GmbH	Germany	28	-
S.N. Technologies SA	Switzerland	24	1
Industrikompetens i Östergötland AB	Sweden	35	-
Omnigo (Pty) Ltd	South Africa	22	1
Kontorsbolaget i Karlskoga AB	Sweden	20	-
FFV Services Private Limited	India	16	7
AVIA SATCOM Co., Ltd	Thailand	102	23
Other associated companies, mainly in the venture portfolio		11	-9
<b>Total</b>		<b>790</b>	<b>25</b>

31-12-2013	Assets	Liabilities	Carrying amount, shares in associated companies	Ownership interest, %
MSEK				
<b>Associated companies</b>				
Hawker Pacific Airservices Ltd	332	227	105	32.3
Wah Nobel (Pvt) Ltd	34	7	27	27.2
Taurus Systems GmbH	126	120	6	33.0
S.N. Technologies SA	15	5	10	50.0
Industrikompetens i Östergötland AB	19	9	10	33.0
Omnigo (Pty) Ltd	13	7	6	40.0
Kontorsbolaget i Karlskoga AB	121	115	6	50.0
FFV Services Private Limited	25	6	19	49.0
AVIA SATCOM Co., Ltd	142	34	108	36.6
Other associated companies, mainly in the venture portfolio	42	1	41	
<b>Total</b>	<b>869</b>	<b>531</b>	<b>338</b>	

31-12-2012	Assets	Liabilities	Carrying amount, shares in associated companies	Ownership interest, %
MSEK				
<b>Associated companies</b>				
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, mainly in the venture portfolio	25	5	20	
<b>Total</b>	<b>692</b>	<b>392</b>	<b>300</b>	

**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. Group holdings were reported using the proportional method through 2013; however, application of IFRS 11, Joint Arrangements, results in holdings being reported using the equity method as of 2014. 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**

<b>MSEK</b>	<b>2013</b>	<b>2012</b>
Sales	-	28
Net income	-	25

<b>MSEK</b>	<b>31-12-2013</b>	<b>31-12-2012</b>
Fixed assets	8	2
Current assets	248	689
<b>Total assets</b>	<b>256</b>	<b>691</b>
Current liabilities	227	232
<b>Total liabilities</b>	<b>227</b>	<b>232</b>
<b>Net assets</b>	<b>29</b>	<b>459</b>

Effects of application of IFRS 11 on shares in joint ventures are reported in accordance with the equity method. The change has not had a significant effect on the Group's income statement.

**Year-end 2013**

<b>Financial position MSEK</b>	<b>31-12-2013 Actual</b>	<b>Adjustment IFRS 11</b>	<b>31-12-2013 Restated</b>
Fixed assets	11,104	-8	11,096
Shares in joint ventures	-	29	29
Current assets	16,801	-137	16,664
<b>Total assets</b>	<b>27,905</b>	<b>-116</b>	<b>27,789</b>
<b>Total equity</b>	<b>12,227</b>	<b>-</b>	<b>12,227</b>
Long-term liabilities	4,498	-	4,498
Current liabilities	11,180	-116	11,064
<b>Total liabilities</b>	<b>15,678</b>	<b>-116</b>	<b>15,562</b>
<b>Total equity and liabilities</b>	<b>27,905</b>	<b>-116</b>	<b>27,789</b>

**End of third quarter 2013**

<b>Financial position MSEK</b>	<b>30-09-2013 Actual</b>	<b>Adjustment IFRS 11</b>	<b>30-09-2013 Restated</b>
Fixed assets	11,167	-8	11,159
Shares in joint ventures	-	459	459
Current assets	15,351	-343	15,008
<b>Total assets</b>	<b>26,518</b>	<b>108</b>	<b>26,626</b>
<b>Total equity</b>	<b>11,877</b>	<b>-</b>	<b>11,877</b>
Long-term liabilities	3,541	-	3,541
Current liabilities	11,100	108	11,208
<b>Total liabilities</b>	<b>14,641</b>	<b>108</b>	<b>14,749</b>
<b>Total equity and liabilities</b>	<b>26,518</b>	<b>108</b>	<b>26,626</b>

**End of second quarter 2013**

<b>Financial position MSEK</b>	<b>30-06-2013 Actual</b>	<b>Adjustment IFRS 11</b>	<b>30-06-2013 Restated</b>
Fixed assets	11,406	-1	11,405
Shares in joint ventures	-	459	459
Current assets	15,815	-305	15,510
<b>Total assets</b>	<b>27,221</b>	<b>153</b>	<b>27,374</b>
<b>Total equity</b>	<b>11,616</b>	<b>-</b>	<b>11,616</b>
Long-term liabilities	3,719	-	3,719
Current liabilities	11,886	153	12,039
<b>Total liabilities</b>	<b>15,605</b>	<b>153</b>	<b>15,758</b>
<b>Total equity and liabilities</b>	<b>27,221</b>	<b>153</b>	<b>27,374</b>

**End of first quarter 2013**

<b>Financial position MSEK</b>	<b>31-03-2013 Actual</b>	<b>Adjustment IFRS 11</b>	<b>31-03-2013 Restated</b>
Fixed assets	11,282	-2	11,280
Shares in joint ventures	-	459	459
Current assets	17,153	-362	16,791
<b>Total assets</b>	<b>28,435</b>	<b>95</b>	<b>28,530</b>
<b>Total equity</b>	<b>11,829</b>	<b>-</b>	<b>11,829</b>
Long-term liabilities	4,408	-	4,408
Current liabilities	12,198	95	12,293
<b>Total liabilities</b>	<b>16,606</b>	<b>95</b>	<b>16,701</b>
<b>Total equity and liabilities</b>	<b>28,435</b>	<b>95</b>	<b>28,530</b>

**Opening balance 2013**

<b>Financial position MSEK</b>	<b>01-01-2013 Actual</b>	<b>Adjustment IFRS 11</b>	<b>01-01-2013 Restated</b>
Fixed assets	11,498	-2	11,496
Shares in joint ventures	-	459	459
Current assets	17,440	-344	17,096
<b>Total assets</b>	<b>28,938</b>	<b>113</b>	<b>29,051</b>
<b>Total equity</b>	<b>11,280</b>	<b>-</b>	<b>11,280</b>
Long-term liabilities	4,764	-	4,764
Current liabilities	12,894	113	13,007
<b>Total liabilities</b>	<b>17,658</b>	<b>113</b>	<b>17,771</b>
<b>Total equity and liabilities</b>	<b>28,938</b>	<b>113</b>	<b>29,051</b>

**NOTE 23 Parent Company's Shares in Associated Companies and Joint Ventures**

<b>Parent Company</b>			
<b>MSEK</b>	<b>2013</b>	<b>2012</b>	
<b>Accumulated acquisition value</b>			
Opening balance, 1 January	565	552	
Acquisitions	2	-	
Divestments	-	-3	
Reclassifications	-	-9	
Write-downs	-430	-	
Share of net income for the year in joint ventures	-	25	
Closing balance, 31 December	137	565	
<b>Carrying amount, 31 December</b>	<b>137</b>	<b>565</b>	

**Specification of Parent Company's (co-owner's) directly owned holdings of shares in associated companies and joint ventures**

<b>2013 MSEK</b>	<b>% of votes and capital</b>	<b>Carrying amount</b>	
<b>Associated companies</b>			
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	
Aerostructures Assemblies India Pvt Ltd	50.0/26.0	2	
<b>Joint ventures</b>			
Gripen International KB, 969679-8231, Linköping	50.0	29	
Industrigruppen JAS AB, 556147-5921, Stockholm	80.0	4	
<b>Total</b>		<b>137</b>	

<b>2012 MSEK</b>	<b>% of votes and capital</b>	<b>Carrying amount</b>	
<b>Associated companies</b>			
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	
<b>Joint ventures</b>			
Gripen International KB, 969679-8231, Linköping	50.0	459	
Industrigruppen JAS AB, 556147-5921, Stockholm	80.0	4	
<b>Total</b>		<b>565</b>	

**NOTE 24 Receivables from Group Companies, Associated Companies and Joint Ventures**

<b>Parent Company MSEK</b>	Receivables from Group companies		Receivables from associated companies and joint ventures	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Accumulated acquisition value</b>				
Opening balance, 1 January	861	911	-	17
Divestments	-114	-1	-	-17
Exchange rate differences	-	-49	-	-
Closing balance, 31 December	747	861	-	-

**NOTE 25 Financial Investments**

<b>Group MSEK</b>	<b>31-12-2013</b>	<b>31-12-2012</b>
<b>Financial investments held as fixed assets</b>		
Financial assets available-for-sale measured at fair value:		
Shares and participations	114	-
Financial assets measured at fair value through profit or loss:		
Shares and participations	40	49
Investments held to maturity:		
Interest-bearing securities	141	144
<b>Total</b>	<b>295</b>	<b>193</b>
<b>Short-term investments classified as current assets</b>		
Financial assets measured at fair value through profit or loss:		
Interest-bearing securities	2,002	3,963
<b>Total</b>	<b>2,002</b>	<b>3,963</b>

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 139 (143).

**NOTE 26 Other Long-Term Securities Holdings**

<b>Parent Company</b>			
<b>MSEK</b>	<b>2013</b>	<b>2012</b>	
<b>Accumulated acquisition value</b>			
Opening balance, 1 January	38	38	
Acquisitions	248	-	
Closing balance, 31 December	286	38	
<b>Accumulated impairments</b>			
Opening balance, 1 January	-17	-14	
Impairments for the year	-133	-3	
Closing balance, 31 December	-150	-17	
<b>Carrying amount, 31 December</b>	<b>136</b>	<b>21</b>	

Acquisitions 2013 relate to Pipavav Defence and Offshore Engineering Co Ltd and Biogeneration Ventures B.V. Impairments for 2013 relate to Pipavav.

**NOTE 27 Long-Term Receivables and Other Receivables**

<b>Group MSEK</b>	<b>31-12-2013</b>	<b>31-12-2012</b>
<b>Long-term receivables held as fixed assets</b>		
Receivables from associated companies, interest-bearing	59	62
Receivables from associated companies, non interest-bearing	2	2
Receivables attributable to pension, interest-bearing	36	-
Other interest-bearing receivables	24	47
Other non interest-bearing receivables	8	27
<b>Total</b>	<b>129</b>	<b>138</b>

## NOTE 27, CONT.

Group			
MSEK	31-12-2013	31-12-2012	
<b>Other receivables held as current assets</b>			
Receivables from associated companies, interest-bearing	2	-	
Receivables from associated companies, non interest-bearing	41	79	
Receivables from joint ventures, non interest-bearing	6	14	
Advance payments to suppliers	147	84	
Other interest-bearing receivables	119	326	
Other non interest-bearing receivables	435	321	
<b>Subtotal</b>	<b>750</b>	<b>824</b>	
<b>Receivables from customers</b>			
Assignment revenue	4,257	2,255	
Less utilised advance payments	-1,184	-531	
<b>Subtotal</b>	<b>3,073</b>	<b>1,724</b>	
<b>Total</b>	<b>3,823</b>	<b>2,548</b>	

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 828 (553).

Costs attributable to assignment revenue amounted to MSEK 3,506 (1,873). Reported gross income amounted to MSEK 751 (382).

Parent Company			
MSEK	31-12-2013	31-12-2012	
<b>Other long-term receivables</b>			
Interest-bearing receivables	16	42	
Non interest-bearing receivables	6	7	
<b>Total</b>	<b>22</b>	<b>49</b>	

Parent Company			
MSEK	31-12-2013	31-12-2012	
<b>Other receivables held as current assets</b>			
Interest-bearing receivables	25	-	
Non interest-bearing receivables	308	195	
<b>Subtotal</b>	<b>333</b>	<b>195</b>	
<b>Receivables from customers</b>			
Assignment revenue	3,165	1,631	
Less utilised advance payments	-1,183	-532	
<b>Subtotal</b>	<b>1,982</b>	<b>1,099</b>	
<b>Total</b>	<b>2,315</b>	<b>1,294</b>	

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 394 (291).

Costs attributable to assignment revenue amounted to MSEK 2,672 (1,370). Reported gross income amounted to MSEK 493 (261).

Parent Company			
MSEK	2013	2012	
<b>Long-term receivables</b>			
<b>Accumulated acquisition value</b>			
Opening balance, 1 January	49	34	
Incremental receivables	-	17	
Deductible receivables	-27	-2	
<b>Closing balance, 31 December</b>	<b>22</b>	<b>49</b>	

## NOTE 28 Inventories

Group			
MSEK	31-12-2013	31-12-2012	
Raw materials and consumables	2,048	2,314	
Work in progress	1,722	1,489	
Finished goods and goods for resale	793	617	
<b>Total</b>	<b>4,563</b>	<b>4,420</b>	

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 2013, the National Debt Office has paid out MSEK 263 (263). The debt as of 31 December 2013 amounts to MSEK 177 (192), which reduces inventory in the financial statements.

The Group's cost of goods sold includes inventory impairments of MSEK 130 (31). The reversal of previous impairments amounts to MSEK 93 (19). The value of inventories measured at fair value less selling expenses amounts to MSEK 128 (93). Of inventories, MSEK 162 is expected to be realised more than twelve months after the closing day.

Parent Company			
MSEK	31-12-2013	31-12-2012	
Raw materials and consumables	1,574	1,633	
Work in progress	1,267	1,190	
Finished goods and goods for resale	671	520	
Advance payments to suppliers	141	42	
<b>Total</b>	<b>3,653</b>	<b>3,385</b>	

Cost of goods sold for the Parent Company includes inventory impairments of MSEK 128 (27) after the reversal of previous impairments of MSEK 92 (11). The value of inventories measured at fair value less selling expenses amounts to MSEK 128 (93). Of the Parent Company's inventories, MSEK 37 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 3,314 (3,454). As part of the sales programme arranged in 2009, Saab sold receivables in 2013 in order to strengthen its financial position and increase financial flexibility. The sales programme was reduced by one customer during the year.

The receivables were sold in their entirety which reduced the receivables by MSEK 555 (852), at year-end and also had a negative impact on cash flow of MSEK -297 (-20).

During the year, accounts receivable were written down by MSEK 15 (5). Reversals of previous write-downs amounted to MSEK 3 (1).

Accounts receivable in the Parent Company amount to MSEK 1,489 (1,598). During the year, receivables were written down by MSEK 12 (5). Reversals of previous write-downs amounted to MSEK 2 (0). See also Note 41.

**NOTE 30 Prepaid Expenses and Accrued Income**

MSEK	Group		Parent Company	
	31-12-2013	31-12-2012	31-12-2013	31-12-2012
Prepaid expenses	489	426	507	377
Accrued service income	106	145	2	59
Other accrued income	282	315	227	297
Total	877	886	736	733

Prepaid expenses primarily relate to pension premiums, rents, licenses and insurance.

**NOTE 31 Liquid Assets**

MSEK	Group	
	31-12-2013	31-12-2012
Cash and bank balances	651	622
Bank deposits	1,113	862
Funds in escrow accounts	-	131
Deposits held on behalf of customers	-	1
Total according to statement of financial position	1,764	1,616
Total according to statement of cash flows	1,764	1,616

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 87 (107) 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 2013	Number of shares	Per cent of shares	Per cent of votes
Series A	1,907,123	1.8	15.4
Series B	104,507,021	98.2	84.6
Total	106,414,144	100.0	100.0

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

Change in number of outstanding shares 2013	Series A	Series B	Total
Number of outstanding shares at 1 January	1,907,123	104,023,706	105,930,829
Early share matching	-	20,665	20,665
Share matching plan	-	462,650	462,650
Number of outstanding shares at 31 December	1,907,123	104,507,021	106,414,144

In 2013 no Series B shares were repurchased on the market to secure Saab's Share Matching Plan and Performance Share Plan. During the year, 483,315 shares were matched in Saab's Share Matching Plan. Transferred shares correspond to 0.4 per cent of the share capital. A total of 2,736,200 shares are held in treasury.

The dividend to shareholders amounted to MSEK 477 (474), or SEK 4.50 (4.50) 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 of the Group's financial reports. The Parent Company and the Group present their financial reports in SEK. The translation reserve at year-end amounts to MSEK -353 (-226). Of the translation reserve MSEK 0 (0) 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 0 (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 revalued, the revaluation amount is allocated to a revaluation reserve.

**Statutory reserve**

Provisions to the statutory reserve have previously amounted to at least 10 per cent of net income for the year, until the statutory reserve corresponded to at least 20 per cent of the Parent Company's capital stock. As of 2006 provisions are voluntary and the Parent Company makes no provisions to the statutory reserve.

**Unrestricted equity****Retained earnings**

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**

	2013	2012
Net income for the year attributable to Parent Company's shareholders (MSEK)	741	1,585
Weighted average number of common shares outstanding:		
before dilution (thousands)	106,125	105,633
after dilution (thousands)	109,150	109,150
Earnings per share, before dilution (SEK)	6.98	15.00
Earnings per share, after dilution (SEK)	6.79	14.52

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	31-12-2013	31-12-2012
<b>MSEK</b>		
<b>Long-term liabilities</b>		
Liabilities to credit institutions	1,000	4
Other interest-bearing liabilities	95	101
<b>Total</b>	<b>1,095</b>	<b>105</b>
<b>Current liabilities</b>		
Liabilities to credit institutions	1	1,100
Liabilities to associated companies and joint ventures	139	378
Other interest-bearing liabilities	474	159
<b>Total</b>	<b>614</b>	<b>1,637</b>
<b>Total interest-bearing liabilities</b>	<b>1,709</b>	<b>1,742</b>

**Terms and repayment schedules**

Collateral for bank loans amounts to MSEK 0 (3). Of the long-term liabilities, MSEK 1,036 (24) falls due between one and five years of the closing day and MSEK 59 (81) 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 5 (16). Saab otherwise does not consider there to be a significant difference between book and fair value.

**NOTE 36 Liabilities to Credit Institutions**

Parent Company	31-12-2013	31-12-2012
<b>MSEK</b>		
<b>Current liabilities</b>		
Overdraft facilities: Available credit/limit	87	107
Short-term portion of bank loans: Unutilised portion	-87	-107
Utilised credit amount	-	-
Short-term borrowing from credit institutions	-	1,100
<b>Total</b>	<b>-</b>	<b>1,100</b>
<b>Long-term liabilities</b>		
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	1,000	-
<b>Total</b>	<b>1,000</b>	<b>-</b>
<b>Total liabilities to credit institutions</b>	<b>1,000</b>	<b>1,100</b>

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.

During 2013, MSEK 1,000 out of maturing MSEK 1,100 was refinanced.

**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. In defined-contribution plans, pensions are based on the premiums paid and return on assets.

**Sweden**

The predominant plan in Sweden is the ITP plan under collective agreements adopted by the Confederation of Swedish Enterprise and the Negotiation Cartel for Salaried Employees in the Private Business Sector (PTK). Saab Sweden has three different ways of securing the defined-benefit plans. They are secured as liabilities 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 4,595 (4,346) as of 31 December 2013, compared to an obligation of MSEK 5,793 (6,492) according to IAS 19, or a solvency margin of 79 per cent (67).

To the portion of the defined-benefit plans secured through insurance with Alecta, the following applies. According to a pronouncement by the Swedish Financial Reporting Board, UFR 3 Classification of ITP plans financed by insurance in Alecta, this is a defined benefit-plan that comprises several employers. For fiscal year 2013, Saab did not have access to information to report its proportionate share of the plan's obligations, assets under management and cost, that would make it possible to report this plan as a defined-benefit plan. The ITP 2 pension plan, which is secured through insurance with Alecta, is therefore reported as a defined-contribution plan. No premiums regarding defined-benefit plans are paid to Alecta.

The collective funding ratio is of the market value of Alecta's assets as a percentage of the insurance obligations calculated according to Alecta's actuarial methods and assumptions, which do not conform to IAS 19. The collective funding ratio should normally be allowed to vary between 125 and 155 per cent. At year-end 2013, Alecta's surplus in the form of the collective funding ratio amounted to 148 per cent (129).

NOTE 37, CONT.

**USA**

The us has a defined-benefit plan which includes some employees and more-over there is a supplementary plan for certain senior Executives. The plans are company-specific from an agreement in 1986 between the employees and the company and the plans include retirement and survivor's pension. The pension is not vested during the first five years of employment and the retirement age is 65. Payments corresponding to accrued pensions are made yearly to an external trustee in order to secure the pension commitment.

**Switzerland**

Switzerland has a defined-benefit plan that includes all employees and where minimum benefits are prescribed by law. The company is affiliated to a collective foundation for the purpose of insuring its employees' old age and survivor's pension and payments are made annually. Provisions for pensions are made by both employer and employees. The employee may elect to receive the full pension as a lump sum at retirement.

**Other countries**

The pension plans in other countries are not of significant amounts and are therefore reported together with Sweden below.

**Disclosures regarding defined-benefit plans****Group 2013-12-31**

MSEK	Sweden	USA	Switzerland	Total
<b>Wholly or partially funded obligations</b>				
Present value of defined-benefit obligations	6,080	233	100	6,413
Fair value of assets under management	-4,658	-269	-97	-5,024
Present value of net obligation	1,422	-36	3	1,389
Share funded	77%	115%	97%	78%
Average duration of pension obligation	17	10	15	

**The net amount is reported in the following items in the statement of financial position**

Provisions for pensions	1,422	-	3	1,425
Provisions for pensions related to special employer's contribution	255	-	-	255
Long-term receivables	-	36	-	36

**Group 2012-12-31**

MSEK	Sweden	USA	Switzerland	Total
<b>Wholly or partially funded obligations</b>				
Present value of defined-benefit obligations	6,825	251	88	7,164
Fair value of assets under management	-4,450	-220	-74	-4,744
Present value of net obligation	2,375	31	14	2,420
Share funded	65%	88%	84%	66%
Average duration of pension obligation	17	10	15	

**The net amount is reported in the following items in the statement of financial position**

Provisions for pensions	2,375	31	14	2,420
Provisions for pensions related to special employer's contributions	454	-	-	454

**Cost reported in the income statement****Group 2013**

MSEK	Sweden	USA	Switzerland	Total
Costs for employment during the current year	147	14	5	166
Net interest expense	74	-	-	74
Cost of defined-benefit plans in the income statement	221	14	5	240
Cost of defined-contribution plans				580
Payroll tax				210
<b>Total cost of post-employment compensation</b>				<b>1,030</b>

**Group 2012**

MSEK	Sweden	USA	Switzerland	Total
Costs for employment during the current year	150	14	6	170
Costs for employment during previous years	-	-	-3	-3
Net interest expense	72	1	-	73
Cost of defined-benefit plans in the income statement	222	15	3	240
Cost of defined-contribution plans				545
Payroll tax				170
<b>Total cost of post-employment compensation</b>				<b>955</b>

**Items included in the statement of cash flows****Group 2013**

MSEK	Sweden	USA	Switzerland	Total
Deposit to pension fund and other funding	-4	-26	-5	-35
Payments	-216	-12	-3	-231
Total impact on cash flow	-220	-38	-8	-266

**Group 2012**

MSEK	Sweden	USA	Switzerland	Total
Deposit to pension fund and other funding	-5	-2	-5	-12
Payments	-212	-8	-4	-224
Total impact on cash flow	-217	-10	-9	-236

Estimated payments during 2014 amount to approximately MSEK 250.

Actuarial gains and losses are reported in other comprehensive income.

Actuarial gains related to pensions amounted to MSEK 1,017 primarily due to the following. The return on assets under management was higher than expected at 5.7 per cent, compared to an anticipated 3.0 per cent, which produced an actuarial gain of MSEK 158. The actuarial gain on pension obligations amounted to MSEK 859, which was due to a 100 basis points higher discount rate and to experience adjustments. Changes in demographic assumptions has had no significant effect.

Actuarial gains related to special employer's benefits amounted to MSEK 234 during 2013.

NOTE 37, CONT.

**Changes in net obligation for defined-benefit plans reported in the statement of financial position**

Group	2013	2012
MSEK		
Net obligation for defined-benefit plans, 1 January	2,420	2,095
Compensation paid	-231	-224
Deposits to pension fund and other funding	-35	-12
Cost reported in the income statement	240	240
Income (-) /cost (+) reported in total comprehensive income	-1,017	303
Settlement/Translation difference	-5	2
Withdrawals from pension funds	17	16
Net obligation for defined-benefit plans, 31 December	1,389	2,420

**Change in pension obligation**

Group	2013	2012
MSEK		
Fair value, 1 January	7,164	6,541
Benefits vested during the year	166	173
Benefits vested previous years	-	-3
Interest expense	215	229
Pension disbursements	-231	-224
Settlement	-45	-12
Actuarial gain (-) /loss (+)	-859	472
Translation differences	3	-12
Fair value, 31 December	6,413	7,164

**Change in assets under management**

Group	2013	2012
MSEK		
Fair value, 1 January	4,744	4,446
Financial income	143	156
Withdrawals	-17	-16
Settlement	-47	-9
Contributions	35	12
Actuarial gain	158	169
Translation differences	8	-14
Fair value, 31 December	5,024	4,744

**The cost is reported on the following lines in the income statement:**

Group	2013	2012
MSEK		
Cost of goods sold	757	669
Marketing expenses	85	81
Administrative expenses	62	53
Research and development costs	52	79
Financial expenses	74	73
Total cost of post-employment compensation	1,030	955

Interest expense 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.

**Sensitivity analysis (excluding special employer's contribution)**

Group	Change	Change in obligation
MSEK		
Discount rate	0.25 %	-258
	-0.25 %	274
Inflation	0.25 %	274
	-0.25 %	-259
Salaries	0.25 %	55
	-0.25 %	-50
Life span	+1 year	253

**Return on assets under management**

Group	2013	2012
MSEK		
Actual return on assets under management	301	325
Financial income on assets under management	-143	-156
Actuarial result from assets under management during the year	158	169

**Governance**

Defined-benefit pensions and pension plan assets are governed by the Pension Board, which resumes 4-5 times per year and has the following responsibilities:

- Appoint the members of and authorise the Investment Committee
- Appoint and authorise the Fund Manger
- Annually establish and approve the Investment Policy
- Decide on strategic (long-term) and tactical (short-term) asset allocation and allow deviations in accordance with the terms of the SAA and TAA mandate
- Annually approve the benchmark indices for follow up of the pension fund assets
- Annually approve the stop loss limit

**Investment strategy and risk management**

The Pension fund manages the allocation and investment of assets with the aim to increase the consolidation level over time, assets versus pension liabilities. This means that certain risks are accepted in order to increase the return. The investment horizon is long-term and the allocation ensures that the investment portfolio is well diversified.

The Fund is subject to a number of restrictions and limitations followed up by Middle Office. Middle Office reports directly to the Board of Directors and to the Head of the Investment Committee. On an over-all level, a stop loss limit and alarm levels aim at assuring a maximum loss of the assets of the Fund.

**Assets under management divided by asset class**

Group	of which listed on an active market		of which listed on an active market	
Procent	2013	2012	2013	2012
Interest-bearing assets	48	49	100	100
Share-related assets	36	36	100	100
Hedge funds	14	13	-	-
Property	1	1	-	-
Liquid assets	1	1	-	-
Total assets	100	100	84	85

NOTE 37, CONT.

**Assumptions for defined-benefit obligations**

Group					
Per cent	2013	2012	2011	2010	2009
<b>Significant actuarial assumptions as of closing day (expressed as weighted averages)<sup>1)</sup></b>					
Discount rate, 31 December	4.00	3.00	3.50	4.80	4.00
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	3.00	5.00

1) Refers to Sweden since essentially all defined-benefit plans are in Sweden

The following assumptions serve as the basis of the valuation of Saab's pension liability:

**Discount rate:** The valuation is based on covered Swedish mortgage bonds (AAA). Each assumed cash flow is discounted using an interest rate for the corresponding maturity.

**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**

The statement of financial position 2012 has been adjusted for netting of deferred tax assets and liabilities compared to the summarised statement of financial position presented in the annual report of 2012.

The adjusted statement of financial position and the adjusted income statement for 2012 are as follows.

**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	-	213
Current assets	17,440	-	17,440
<b>Total assets</b>	<b>29,679</b>	<b>-741</b>	<b>28,938</b>
Equity	14,097	-2,817	11,280
Provision for pension	11	2,863	2,874
Deferred tax liabilities	981	-797	184
Other long-term liabilities	1,696	10	1,706
Current liabilities	12,894	-	12,894
Total liabilities	15,582	2,076	17,658
<b>Total equity and liabilities</b>	<b>29,679</b>	<b>-741</b>	<b>28,938</b>
Equity/assets ratio	47.5%		39.0%

**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 before dilution, SEK	14.81	0.19	15.00
EPS after dilution, SEK	14.33	0.19	14.52
Other comprehensive income after tax	-107	-300	-407
<b>Net comprehensive income</b>	<b>1,432</b>	<b>-279</b>	<b>1,153</b>

**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	31-12-2013	31-12-2012
ITP and the book reserve method	81	197
Other pensions	63	50
Other provisions for pensions	75	87
Total	219	334
Of which credit guarantees in PRI Pensionsgaranti	141	268
<b>MSEK</b>	<b>2013</b>	<b>2012</b>
Amount of provision expected to be settled after more than 12 months	55	182

**Long-term incentive programme**

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 Series B 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 gratuitously.

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 employee category to which they belong. Up to 286 employees, including the President, may allocate a maximum of 7.5 per cent of their gross fixed salary for the purchase of Saab Series B shares. In addition to the requirement that the employee remain employed by Saab after three years, an additional requirement calls for earnings per share to grow in the range of 5 to 15 per cent on average per year during the three-year period for allocation of matching shares under the Performance Share Plan. The 2011 Annual General Meeting amended the terms of the Performance Share Plan, as compared to previous years' programmes, to allow those eligible for the programme to also participate in Saab's Share Matching Plan and entitling Performance Share Plan participants to 1-4 matching shares, depending on employee category. The Board may reduce the number of shares to be matched if the Board considers it reasonable in relation to the company's financial results and position, conditions on the stock market and other circumstances.

**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. Matching took place on three occasions in 2013 and once in January 2014. The plan is therefore closed.

NOTE 37, CONT.

**2010 - 2012 Share Matching Plan**

For the 2010-2012 period Saab's Annual General Meeting resolved to renew the Share Matching Plan with terms comparable to previous years' plans.

**Number of Series B shares purchased and number of participants, Share Matching Plan, 2009-2012**

Share Matching Plan	Number of shares	Number of participants
2009	462,877	2,841
2010	303,033	2,315
2011	495,874	2,970
2012	422,831	3,475

**2009 Performance Share Plan**

In April 2009 Saab's Annual General Meeting resolved to adopt a renewed, second Performance Share Plan with terms comparable to previous years' plans.

Following the close of the measurement period on 31 December 2012 it was determined that the requirement of annual average earnings per share growth of 5 to 15 per cent during the three-year period had been achieved and totalled approximately 35 per cent. Accordingly, participants have received a maximum matching award. Matching took place on three occasions in 2013 and once in January 2014.

**2010 Performance Share Plan**

For 2010 Saab's Annual General Meeting resolved to adopt a renewed, third Performance Share Plan with terms comparable to previous years' plans. Following the close of the measurement period on 31 December 2013 it was determined that the requirement of annual average earnings per share growth of 5 to 15 per cent during the three-year period had been achieved and totalled approximately 77 per cent. Accordingly, participants will receive a maximum matching award. Matching will take place on three occasions in 2014 and once in January 2015.

**2011 Performance Share Plan**

For 2011 Saab's Annual General Meeting resolved to adopt a renewed, fourth Performance Share Plan with revised terms as described above. At the end of 2013 it was found that the requirement for earnings per share growth in the range of 5 to 15 per cent on average per year is not likely to be achieved during the three-year period.

**2012 Performance Share Plan**

For 2012 Saab's Annual General Meeting resolved to adopt a renewed, fifth Performance Share Plan with terms comparable to the 2011 Share Plan.

**Number of Series B shares purchased and number of participants, Performance Share Plan, 2009-2012**

Share Matching Plan	Number of shares	Number of participants
2009	62,633	138
2010	46,972	115
2011	82,007	176
2012	53,109	177

**2013 Share Matching Plan and Performance Share Plan**

In April 2013 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 2013 covers all employees. The Performance Share Plan, which covers senior executives and key employees, entitles participants to 1-4 matching shares, depending on employee category. The plans commence in January 2014 and continue through the calendar year of 2014. The maximum number of matching shares in these two plans is 1,040,000.

Share Matching Plan	2009	2010	2011	2012	Total
Number of matching shares at beginning of the year	417,022	289,257	399,999	-	1,106,278
Allotted during the year (treasury shares)	-	-	80,607	422,831	503,438
Early share matching	-6,060	-6,026	-7,331	-1,248	-20,665
Ordinary share matching	-350,502	-	-	-	-350,502
Forfeited matching shares	-6,083	-4,362	-9,471	-9,595	-29,511
Number of matching shares eligible at year-end	54,377	278,869	463,804	411,988	1,209,038
Number of participants, 31 December 2013	2,335	2,110	2,825	3,386	
% of total number of employees	17	15	19	23	
Average remaining maturity, years	0.0	0.7	1.7	2.7	

Performance Share Plan	2009	2010	2011	2012	Total
Number of matching shares at beginning of the year	52,440	45,019	57,774	-	155,233
Allotted during the year (treasury shares)	-	-	13,850	53,109	66,959
Ordinary share matching	-44,223	-	-	-	-44,223
Forfeited matching shares	-971	-1,175	-2,896	-	-5,042
Number of matching shares eligible at year-end	7,246	43,844	68,728	53,109	172,927
Number of participants, 31 December 2013	110	103	167	177	
Average remaining maturity, years	0.0	0.7	1.7	2.7	

Total number of shares eligible at year-end	2009	2010	2011	2012	Total
Share Matching Plan	54,377	278,869	463,804	411,988	1,209,038
Performance Share Plan	7,246	43,844	68,728	53,109	172,927
Less: Shares included in both plans	-	-	-68,728	-53,109	-121,837
Total	61,623	322,713	463,804	411,988	1,260,128

Recognised expense for above-mentioned plan, including social security expenses	2013	2012
Share Matching Plan 2008	-	13
Share Matching Plan 2009	17	20
Share Matching Plan 2010	16	15
Share Matching Plan 2011	20	8
Share Matching Plan 2012	10	-
Performance Share Plan 2009	5	5
Performance Share Plan 2010	5	5
Performance Share Plan 2011	-3	3
Performance Share Plan 2012	3	-
Total	73	69

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 expenses). Administrative expenses for the share matching plans amounted to MSEK 6 (6) in 2013.

NOTE 37 CONT.

## SENIOR EXECUTIVES' BENEFITS

**Remuneration to Board members**

In accordance with the resolution of the Annual General Meeting, the fees paid to members of the Board, for the term April 2013 - April 2014, amount to SEK 4,435,000 (4,345,000), consisting of SEK 1,185,000 (1,165,000) to the Chairman, SEK 490,000 (480,000) to the Deputy Chairman and SEK 460,000 (450,000) to each of the other members elected by the Annual General Meeting, with the exception of the President.

For audit committee work, during the term April 2013 - April 2014, 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, during the term April 2013 - April 2014, 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 Board members and committee members recognised as cost for fiscal year 2013 is shown in the table below.

**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 Performance Share Plans approved by the 2009, 2010, 2011 and 2012 Annual General Meetings and in the Share Matching Plans 2011 and 2012.

Outstanding matching rights in the Performance Share Plan 2009 amount to SEK 372,168 (510,265) as of 31 December 2013 at estimated outcomes and in the Performance Share Plan 2010 to SEK 2,114,977 (1,191,681) at estimated outcomes. Corresponding figures for the Performance Share Plans and the Share Matching Plans 2011 and 2012 are SEK 188,588 (347,060) and 334,391 respectively, at estimated outcomes.

During the period 1 January through 31 December 2013, Håkan Buskhe received salary and other benefits totalling SEK 11,584,583 (10,749,306), of which other benefits, including share related plans, amounted to SEK 1,701,415 (1,539,935).

**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 turned 50, after which the pension premium amounts 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 2013, the cost of Håkan Buskhe's pension, including ITP, was SEK 3,594,269 (3,420,807).

**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 (13) individuals at year-end 2012/2013; specifically, Executive Vice Presidents, Heads of the Business Areas and Heads of Group staffs. During 2013 the following senior executives have left Group Management or the company: Marketing Director Jonas Hjelm (1 January), Head of Group Communications Carina Brorman (18 February),

Head of Group Corporate Investments Peter Sandehed (1 March) and Deputy CEO and COO Lena Olving (11 June). At the turn of 2013/2014 Group Management was therefore comprised of 10 persons, including the CEO. During 2013, Head of Business Area Lennart Sindahl and Senior Vice President and CFO Magnus Örnberg were appointed Executive Vice Presidents.

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.

Of the other senior executives, one individual has received cash settlements of SEK 1,144,569 for extraordinary work. Also two individuals received cash settlements of a non-recurring nature upon recruitment according to a resolution 2012. 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 663,336 has been paid during 2013.

Since November 2008, all eligible executives have participated in the Performance Share Plans approved by the Annual General Meetings in 2009, 2010, 2011 and 2012 and in the Share Matching Plans 2011 and 2012. The Performance Share Plan 2009 was concluded in January 2014. Outstanding matching rights in the Performance Share Plan 2009 amount to SEK 306,491 (3,032,384) as of 31 December 2013 at estimated outcomes and in the Performance Share Plan 2010 to SEK 1,637,726 (2,037,447) as of 31 December 2013 at estimated outcomes. Corresponding figures for the Performance Share Plans and the Share Matching Plans 2011 and 2012 amount to SEK 357,831 (681,877) and SEK 548,191, respectively, at estimated outcomes.

In 2013, the other senior executives received salaries and other benefits totalling SEK 41,886,223 (45,334,496), of which other benefits, including share related plans, amounted to SEK 3,975,317 (6,021,072).

**Pension terms**

As of 1 January 2005, a pension age of 62 years applies to new executives. Among other senior executives, one individual has a retirement age of 60 years.

In addition to ITP, 9 members of the group (13) are affiliated with the Saab plan, which is defined-contribution and vested. The Saab plan provides pension benefits in addition to ITP or its equivalent on salary levels between 20 and 30 basic amounts as well as on salary segments over 30 basic amounts. The individuals themselves can decide on the payment term, though 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.

Pension obligations are vested. In 2013, pension costs for other senior executives, including ITP and its equivalent, amounted to SEK 13,533,737 (16,677,569). 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.

NOTE 37, CONT.

**Summary of compensation and other benefits during 2013**

SEK	Base salary/ Board and Committee fee	Variable compensation	Share related plans <sup>7)</sup>	Other benefits <sup>3)</sup>	Pension cost	Total	Outstanding matching rights in share related plans at estimated outcomes <sup>7)</sup>
Chairman of the Board							
Marcus Wallenberg	1,260,000	-	-	-	-	1,260,000	-
Deputy Chairman							
Sten Jakobsson	567,500	-	-	-	-	567,500	-
Other Board members							
Sara Mazur	345,000	-	-	-	-	345,000 <sup>4)</sup>	-
Åke Svensson	112,500	-	-	-	-	112,500 <sup>6)</sup>	-
Johan Forssell	557,500	-	-	-	-	557,500	-
Per-Arne Sandström	607,500	-	-	-	-	607,500	-
Cecilia Stegö Chilò	457,500	-	-	-	-	457,500	-
Lena Treschow Torell	592,500	-	-	-	-	592,500 <sup>2)</sup>	-
Joakim Westh	557,500	-	-	-	-	557,500	-
President and CEO Håkan Buskhe	9,883,168	-	1,644,736	56,679	3,594,269	15,178,852	3,010,124
Other senior executives	36,103,001 <sup>5)</sup>	1,807,905 <sup>1)</sup>	2,018,173	1,957,144	13,533,737	55,419,960	2,850,239
<b>Total</b>	<b>51,043,669</b>	<b>1,807,905</b>	<b>3,662,909</b>	<b>2,013,823</b>	<b>17,128,006</b>	<b>75,656,312</b>	<b>5,860,363</b>

1) Including remuneration to two senior executives, which, according to a resolution in 2012, is paid in the form of pension premiums during a period of 36 months from the start of employment and cash settlements to one senior executive, according to a resolution in 2013.

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.

4) Was elected to the Board in April 2013 and has received remuneration for the period April-December.

5) Including estimated remuneration allocated for senior executives who left Group Management in 2013.

6) Left the Board of Directors in April 2013, after informing that he had declined re-election, and has received remuneration for the period January-March.

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

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

**Summary of compensation and other benefits during 2012**

SEK	Base salary/ Board and Committee fee	Variable compensation	Share related plans <sup>4)</sup>	Other benefits <sup>3)</sup>	Pension cost	Total	Outstanding matching rights in share related plans at estimated outcomes <sup>4)</sup>
Chairman of the Board							
Marcus Wallenberg	1,245,000	-	-	-	-	1,245,000	-
Deputy Chairman							
Sten Jakobsson	560,000	-	-	-	-	560,000	-
Other Board members <sup>1)</sup>							
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 <sup>2)</sup>	-
Joakim Westh	550,000	-	-	-	-	550,000	-
President and CEO Håkan Buskhe <sup>1)</sup>	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 <sup>1)</sup>	3,535,145	2,485,927	16,319,513	62,012,065	5,751,708
<b>Total</b>	<b>53,512,795</b>	<b>358,056</b>	<b>5,048,504</b>	<b>2,512,503</b>	<b>19,740,320</b>	<b>81,172,178</b>	<b>7,800,714</b>

1) Including remuneration to two senior executives, which, according to a resolution in 2012, will be paid in the form of pension premiums during a period of 36 months from the start of employment.

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.

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

**NOTE 38 Provisions**

Group		
MSEK	31-12-2013	31-12-2012
<b>Provisions that are long-term liabilities</b>		
Obligations related to regional aircraft	515	684
Expenditures for restructuring measures	84	66
Onerous contracts	161	229
Other	283	307
Total	1,043	1,286

<b>Provisions that are current liabilities</b>		
Obligations related to regional aircraft	100	10
Expenditures for restructuring measures	137	52
Onerous contracts	122	178
Other	300	325
Total	659	565

<b>Parent Company</b>		
MSEK	31-12-2013	31-12-2012
Obligations related to regional aircraft	270	278
Expenditures for restructuring measures	164	54
Onerous contracts	163	266
Other	235	237
Total	832	835

**Obligations related to regional aircraft**

MSEK	Group	Parent Company
Opening balance, 1 January 2013	694	278
Amount utilised during the year	-79	-8
Closing balance, 31 December 2013	615	270

**Expenditures for restructuring measures**

MSEK	Group	Parent Company
Opening balance, 1 January 2013	118	54
Provisions allocated during the year	206	177
Amount utilised during the year	-96	-63
Reversal of unutilised amount	-4	-4
Reclassification	-3	-
Closing balance, 31 December 2013	221	164

**Onerous contracts**

MSEK	Group	Parent Company
Opening balance, 1 January 2013	407	266
Provisions allocated during the year	105	80
Amount utilised during the year	-187	-175
Reversal of unutilised amount	15	15
Reclassification	-52	-23
Translation differences and other	-5	-
Closing balance, 31 December 2013	283	163

**Other provisions**

MSEK	Group	Parent Company
Opening balance, 1 January 2013	632	237
Provisions allocated during the year	138	83
Amount utilised during the year	-135	-71
Reversal of unutilised amount	-63	-12
Reclassification	31	-1
Translation differences and other	-20	-1
Closing balance, 31 December 2013	583	235

**Total provisions**

MSEK	Group	Parent Company
Opening balance, 1 January 2013	1,851	835
Provisions allocated during the year	449	340
Amount utilised during the year	-497	-317
Reversal of unutilised amount	-52	-1
Reclassification	-24	-24
Translation differences and other	-25	-1
Closing balance, 31 December 2013	1,702	832

**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 completely divested 2015.

**Restructuring**

Structural costs primarily relate to the costs to adapt resources and change-over costs. The expenditure is expected to fall in 2014–2015.

**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	31-12-2013	31-12-2012
<b>Other long-term liabilities</b>		
Long-term prepaid revenue	-	20
Other	179	295
Total	179	315

**Other current liabilities**

Liabilities to associated companies	5	5
Value-added tax	165	136
Preliminary tax	205	177
Deposits in leasing operations	34	17
Other	430	425
Total	839	760
Liabilities due for payment more than five years after closing day	72	32

NOTE 39, CONT.

Parent Company			
MSEK	31-12-2013	31-12-2012	
Value-added tax	81	81	
Preliminary tax	148	116	
Other	704	432	
<b>Total</b>	<b>933</b>	<b>629</b>	
Liabilities due for payment more than five years after closing day	43	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	
	31-12-2013	31-12-2012	31-12-2013	31-12-2012
<b>Accrued expenses</b>				
Accrued project costs	916	1,227	563	679
Vacation pay liability	914	877	698	672
Expected invoices	267	333	192	262
Social security expenses	435	463	324	348
Personnel liabilities	247	204	178	131
Accrued leasing costs	9	79	-	-
Claims reserve	101	78	2	29
Royalties and commissions	134	121	114	107
Accrued interest	14	16	14	16
Other	291	277	218	231
<b>Total accrued expenses</b>	<b>3,328</b>	<b>3,675</b>	<b>2,303</b>	<b>2,475</b>
<b>Deferred income</b>				
Liabilities to customers	2,586	3,039	2,162	2,711
Prepaid insurance compensation	-	244	-	-
Retained project interest	-	8	-	8
Capitalised changes in value related to forward contract rollovers	-	-	330	362
Other	31	27	24	17
<b>Total deferred income</b>	<b>2,617</b>	<b>3,318</b>	<b>2,516</b>	<b>3,098</b>
<b>Total</b>	<b>5,945</b>	<b>6,993</b>	<b>4,819</b>	<b>5,573</b>

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 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, approximately MSEK 1 to electricity derivatives and approximately MSEK 34 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 an estimation of the maximum loss over a specific number of days, with a certain probability. 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	Fair value through other comprehensive income as available-for-sale	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
<b>31-12-2013</b>										
<b>Financial assets</b>										
Financial investments	-	114	40	141	-	-	-	-	295	293
Long-term receivables	-	-	-	-	129	-	-	-	129	129
Derivatives <sup>1</sup>										
Forward exchange contracts	24	-	-	-	-	-	347	5	376	376
Currency options	8	-	-	-	-	-	-	-	8	8
Interest rate swaps	-	-	-	-	-	-	6	-	6	6
Electricity derivatives	6	-	-	-	-	-	-	-	6	6
<b>Total derivatives</b>	<b>38</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>353</b>	<b>5</b>	<b>396</b>	<b>396</b>
Accounts receivable and other receivables	-	-	-	-	7,378	-	-	-	7,378	7,378
Short-term investments	-	-	2,002	-	-	-	-	-	2,002	2,002
Liquid assets	-	-	-	-	1,764	-	-	-	1,764	1,764
<b>Total financial assets</b>	<b>38</b>	<b>114</b>	<b>2,042</b>	<b>141</b>	<b>9,271</b>	<b>-</b>	<b>353</b>	<b>5</b>	<b>11,964</b>	<b>11,962</b>
<b>Financial liabilities</b>										
Interest-bearing liabilities	-	-	-	-	-	1,709	-	-	1,709	1,714
Derivatives <sup>1</sup>										
Forward exchange contracts	11	-	-	-	-	-	269	1	281	281
Currency options	12	-	-	-	-	-	-	-	12	12
Interest rate swaps	5	-	-	-	-	-	-	-	5	5
Electricity derivatives	7	-	-	-	-	-	11	-	18	18
<b>Total derivatives</b>	<b>35</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>280</b>	<b>1</b>	<b>316</b>	<b>316</b>
Other liabilities	-	-	-	-	-	5,300	-	-	5,300	5,300
<b>Total financial liabilities</b>	<b>35</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,009</b>	<b>280</b>	<b>1</b>	<b>7,325</b>	<b>7,330</b>
<b>31-12-2012</b>										
<b>Financial assets</b>										
Financial investments	-	-	49	144	-	-	-	-	193	192
Long-term receivables	-	-	-	-	879	-	-	-	879	879
Derivatives <sup>1</sup>										
Forward exchange contracts	30	-	-	-	-	-	440	16	486	486
Currency options	24	-	-	-	-	-	-	-	24	24
Interest rate swaps	1	-	-	-	-	-	-	-	1	1
Electricity derivatives	-	-	-	-	-	-	3	-	3	3
<b>Total derivatives</b>	<b>55</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>443</b>	<b>16</b>	<b>514</b>	<b>514</b>
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
<b>Total financial assets</b>	<b>55</b>	<b>-</b>	<b>4,012</b>	<b>144</b>	<b>8,856</b>	<b>-</b>	<b>443</b>	<b>16</b>	<b>13,526</b>	<b>13,525</b>
<b>Financial liabilities</b>										
Interest-bearing liabilities	-	-	-	-	-	1,742	-	-	1,742	1,758
Derivatives <sup>1</sup>										
Forward exchange contracts	4	-	-	-	-	-	191	3	198	198
Currency options	15	-	-	-	-	-	-	-	15	15
Interest rate swaps	24	-	-	-	-	-	-	-	24	24
Electricity derivatives	-	-	-	-	-	-	17	-	17	17
<b>Total derivatives</b>	<b>43</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>208</b>	<b>3</b>	<b>254</b>	<b>254</b>
Other liabilities	-	-	-	-	-	5,848	-	-	5,848	5,848
<b>Total financial liabilities</b>	<b>43</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,590</b>	<b>208</b>	<b>3</b>	<b>7,844</b>	<b>7,860</b>

<sup>1</sup> Refers to reported values, market value excluding premiums and accrued interest. Otherwise no significant differences between reported and fair value.

NOTE 41, CONT.

**The Group's outstanding derivatives**

Currency derivatives			Fair value 2013			Fair value 2012			
Million	Currency	Nominal currency	Asset SEK	Liability SEK	Net	Nominal currency	Asset SEK	Liability SEK	Net
Maturity up to one year	EUR	-287	57	74	-17	-264	122	53	69
	USD	-531	88	39	49	-511	111	41	70
	Other	-	41	49	-8	-	46	43	3
<b>Outstanding currency derivatives with maturities up to one year, total</b>			<b>186</b>	<b>162</b>	<b>24</b>		<b>279</b>	<b>137</b>	<b>142</b>
Maturity one to three years	EUR	-125	51	69	-18	-80	66	40	26
	USD	-394	94	35	59	-217	63	12	51
	Other	-	11	13	-2	-	5	5	-
<b>Outstanding currency derivatives with maturities of one to three years, total</b>			<b>156</b>	<b>117</b>	<b>39</b>		<b>134</b>	<b>57</b>	<b>77</b>
Maturity three to five years	EUR	-17	9	6	3	-66	27	6	21
	USD	-242	26	2	24	-125	51	3	48
	Other	-		1	-1				
<b>Outstanding currency derivatives with maturities of three to five years, total</b>			<b>35</b>	<b>9</b>	<b>26</b>		<b>78</b>	<b>9</b>	<b>69</b>
Maturity over five years	EUR	-15	5	3	2	-26	16	-	16
	USD	-14	2	-	2	-21	2	1	1
<b>Outstanding currency derivatives with maturities over five years, total</b>			<b>7</b>	<b>3</b>	<b>4</b>		<b>18</b>	<b>1</b>	<b>17</b>
Currency derivatives, total <sup>1)</sup>			384	291	93		509	204	305

1) Retained premiums on open currency option contracts amount to MSEK 3 (9).

Interest derivatives			Fair value 2013			Fair value 2012			
Million	Currency	Nominal currency	Asset SEK	Liability SEK	Net	Nominal currency	Asset SEK	Liability SEK	Net
Maturity up to one year	SEK	303	-	8	-8	668	1	9	-8
<b>Outstanding interest derivatives with maturities up to one year, total</b>			<b>-</b>	<b>8</b>	<b>-8</b>		<b>1</b>	<b>9</b>	<b>-8</b>
Maturity one to three years	SEK	-	-	-	-	453	-	21	-21
	USD	5	-	2	-2	16	-	7	-7
<b>Outstanding interest derivatives with maturities of one to three years, total</b>			<b>-</b>	<b>2</b>	<b>-2</b>		<b>-</b>	<b>28</b>	<b>-28</b>
Maturity three to five years	SEK	967	5	4	1	-	-	-	-
<b>Outstanding interest derivatives with maturities of three to five years, total</b>			<b>5</b>	<b>4</b>	<b>1</b>		<b>-</b>	<b>-</b>	<b>-</b>
Interest derivatives, total <sup>2)</sup>			5	14	-9		1	37	-36

2) Market value includes accrued interest of MSEK -9 (-13) and retained premiums on open contracts of MSEK 0 (0).

Electricity derivatives			Fair value 2013			Fair value 2012		
Million	Megawatt	Asset SEK	Liability SEK	Net	Mega-watt	Asset SEK	Liability SEK	Net
Maturity up to one year	19	6	16	-10	14	4	13	-9
<b>Outstanding electricity derivatives with maturities up to one year, total</b>		<b>6</b>	<b>16</b>	<b>-10</b>		<b>4</b>	<b>13</b>	<b>-9</b>
Maturity one to three years	14	-	2	-2	17	-	4	-4
<b>Outstanding electricity derivatives with maturities of one to three years, total</b>		<b>-</b>	<b>2</b>	<b>-2</b>		<b>-</b>	<b>4</b>	<b>-4</b>
Electricity derivatives, total		6	18	-12		4	17	-13

Total derivatives			Fair value 2013			Fair value 2012		
Million	Asset SEK	Liability SEK	Net	Asset SEK	Liability SEK	Net		
<b>DERIVATIVES, TOTAL</b>	<b>395</b>	<b>323</b>	<b>72</b>	<b>514</b>	<b>258</b>	<b>256</b>		
(of which derivatives used for cash flow hedges)			74			235		
Accrued interest and retained premiums, see footnotes 1 and 2 above	-	-6	-6	-	-4	-4		
Netting accrued interest and premiums	1	-1	2	-	-	-		
<b>DERIVATIVES ACCORDING TO GROUP'S FINANCIAL POSITION</b>	<b>396</b>	<b>316</b>	<b>80</b>	<b>514</b>	<b>254</b>	<b>260</b>		

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 separates the above-mentioned types of exposure in risk management. Policy descriptions are provided under each exposure.

Framework agreements, which contain both transaction and economic exposures, are in place mainly for the 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 usually 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 <sup>1)</sup>		Options <sup>2)</sup>		Total hedge	
	2013	2012	2013	2012	2013	2012
USD	-119	-189	-138	-162	-257	-351
EUR	-40	-31	-68	-43	-108	-74
GBP	-6	-16	-4	-3	-10	-19
AUD	-	-	-	4	-	4
CZK	-	-	50	-	50	-

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 zero.

The VaR for tender hedge portfolio amounted to MSEK 15 (7) 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 2013 was MSEK -26 (15).

*Transaction exposure*

Future cash flows in foreign currency from the order backlog and framework agreements are hedged to safeguard gross margins. In 2013, countries outside Sweden accounted for 59 per cent (64) 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 59.9 billion (34.2) are SEK, USD, EUR and GBP. Of the total order backlog, 46 per cent (68) is in fixed prices with or without indexing, while the remaining 54 per cent (32) contains variable prices with index and/or currency clauses.

Netting is applied at the Group level to minimise the transaction exposure in foreign currencies, which means 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.

The currency sensitivity of the market value of outstanding external hedges for the order backlog and framework agreements; i.e., 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 31-12-2013	SEK depreciation of 10%	SEK appreciation of 10%
Market value in MSEK	82	-856	1,020
Change		-938	938

The currency sensitivity in the order backlog; i.e., the effects of a change in exchange rates when the SEK depreciates or appreciates in value, is shown in the table below. In the table, the order backlog for foreign subsidiaries has been restated in MSEK.

	Order backlog 31-12-2013	SEK depreciation of 10%	SEK appreciation of 10%
Order backlog, MSEK	59,870	60,351	59,389
Change		481	-481

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 2 (0).

## NOTE 41, CONT.

The table below shows the cash flows corresponding to the derivatives recognised as cash flow hedges in 2013 and 2012 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	-37	59	<b>22</b>	-30	109	<b>79</b>	-25	39	<b>14</b>	-3	4	<b>1</b>	-179	421	<b>242</b>	-74	246	<b>172</b>	-19	-	<b>-19</b>
91-180 days	-50	21	<b>-29</b>	-13	31	<b>18</b>	-1	29	<b>28</b>	-4	-	<b>-4</b>	-74	278	<b>204</b>	-39	59	<b>20</b>	-	-	<b>-</b>
181-210 days	-12	3	<b>-9</b>	-13	73	<b>60</b>	-1	15	<b>14</b>	-4	-	<b>-4</b>	-2	847	<b>845</b>	-29	59	<b>30</b>	-4	-	<b>-4</b>
211-360 days	-12	-	<b>-12</b>	-11	17	<b>6</b>	-2	7	<b>5</b>	-3	-	<b>-3</b>	-66	213	<b>147</b>	-32	52	<b>20</b>	-	-	<b>-</b>
2015	-	-	-	-26	69	<b>43</b>	-3	4	<b>1</b>	-3	-	<b>-3</b>	-47	830	<b>783</b>	-51	205	<b>154</b>	-4	-	<b>-4</b>
2016	-	-	-	-16	70	<b>54</b>	-3	3	-	-	-	-	-1	-	<b>-1</b>	-16	162	<b>146</b>	-13	-	<b>-13</b>
2017	-	-	-	-4	11	<b>7</b>	-2	2	-	-	-	-	-	-	-	-7	115	<b>108</b>	-	-	<b>-</b>
2018	-	-	-	-3	6	<b>3</b>	-1	2	<b>1</b>	-	-	-	-	-	-	-1	99	<b>98</b>	-	-	<b>-</b>
2019 and forward	-	-	-	-3	15	<b>12</b>	-	-	-	-	-	-	-	-	-	-	71	<b>71</b>	-	-	<b>-</b>
Total flows 2013	-111	83	<b>-28</b>	-119	401	<b>282</b>	-38	101	<b>63</b>	-17	4	<b>-13</b>	-369	2,589	<b>2,220</b>	-249	1,068	<b>819</b>	-40	-	<b>-40</b>
Total flows 2012	-77	90	<b>13</b>	-117	432	<b>315</b>	-42	116	<b>74</b>	-1	11	<b>10</b>	-408	3,984	<b>3,576</b>	-244	740	<b>496</b>	-43	16	<b>-27</b>

**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 3,460 (3,443) at year-end; see the table below.

**Net assets translated to SEK**

MSEK	31-12-2013	31-12-2012
USD	1,552	1,581
EUR	601	533
AUD	442	434
ZAR	289	440
Other currencies	576	455
Total	3,460	3,443

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 31-12-2013	SEK appreciation of 10%	SEK depreciation of 10%
USD	1,552	1,397	1,707
EUR	601	541	661
AUD	442	398	486
ZAR	289	260	318
Other currencies	576	518	634
Total	3,460	3,114	3,806
Change		-346	346

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, primarily in USD, in commercial aircraft programmes consist of a hedged order backlog and estimated future orders (business case) with cash flows. Cash flows from the latter are normally hedged when they become confirmed orders. In connection with impairment tests of onerous 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 7 months (17). Interest rate risks in the Group's funding must not exceed 60 months duration. As of year-end, the duration for financing was 55 months (8).

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. 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 Pension Fund section.

**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 MSEK 3,000, adjusted for loans with maturity date within 12 months ("Free Cash").

NOTE 41, CONT.

Free Cash shall however never amount to less than the lowest of:

- 10 per cent of sales (total sales)
- 50 per cent of outstanding on-demand guarantees for the three largest commitments

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 (ΕΚΝ). 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	1,000	2,000
Receivables financing	1,475	555	920
Total loan programmes	9,475	1,555	7,920
<b>Total loan facilities</b>	<b>13,475</b>	<b>1,555</b>	<b>11,920</b>

The club loan is a credit facility with an equivalent value of MSEK 4,000 evenly divided between eight banks and maturing 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 utilised in 2013.

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.

During 2013 MSEK 1,000 out of maturing MSEK 1,100 was refinanced.

#### Net liquidity

Net liquidity excluding interest-bearing receivables and provisions for pensions amounted to MSEK 2,057 (3,837) on 31 December 2013. Liquidity varied during the year, and liquidity was placed as per the Group Treasury Policy. At year-end, placements in interest-bearing securities and bank deposits amounted to MSEK 3,115 (4,825).

#### Net liquidity

MSEK	Note	31-12-2013	31-12-2012
<b>Assets</b>			
Liquid assets	31	1,764	1,616
Short-term investments	25	2,002	3,963
Total liquid investments		3,766	5,579
Short-term interest-bearing receivables	27	121	326
Long-term interest-bearing receivables	27	83	109
Long-term receivables attributable to pensions	27	36	-
Long-term interest-bearing financial investments	25	141	144
<b>Total interest-bearing assets</b>		<b>4,147</b>	<b>6,158</b>

MSEK	Note	31-12-2013	31-12-2012
<b>Liabilities</b>			
Short-term interest-bearing liabilities	35	614	1,637
Long-term interest-bearing liabilities	35	1,095	105
Provisions for pensions	37	1,425	2,420
Total interest-bearing liabilities		3,134	4,162
<b>Net liquidity</b>		<b>1,013</b>	<b>1,996</b>

As of 31 December 2013, net liquidity amounted to MSEK 1,013 (1,996) with an average during the year of MSEK 1,331 (2,685). The net of interest income received and interest expenses paid amounted to MSEK -85 (117). Of the liquid investments of MSEK 3,766 (5,579), 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 in the credit margin of 1 percentage point for Saab's investments.

#### Placements in interest-bearing securities and bank deposits

##### Sensitivity analysis of financial risk

MSEK Maturities	Fixed interest <sup>1)</sup>	Effect of market interest rate, 1%	Tied-up capital	Effect of credit spread, 1%	Effect on financial costs
1 year	2,328	23.3	1,761	17.6	40.9
2 years	150	1.5	225	2.3	3.8
3 years	320	3.2	595	6.0	9.2
4 years	233	2.3	450	4.5	6.8
5 years and forward	-	-	-	-	-
Total	3,031	30.3	3,031	30.4	60.7
Adjustment <sup>2)</sup>	84				
<b>Total</b>	<b>3,115</b>				

1) Effects of derivative agreements entered are included in the fixed interest.

2) Adjustment of nominal value compared to book value due to market valuation at a premium or discount.

Current interest-bearing liabilities amount to MSEK 614 (1,637). Long-term interest-bearing liabilities amount to MSEK 1,095 (105) and mainly consist of a refinanced MTN programme of MSEK 1,000 which was reported as a short-term interest-bearing liability in 2012. Of the long-term interest-bearing liabilities, MSEK 1,036 (24) matures within 1-5 years and MSEK 59 (81) 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. For the interest rate swaps that refers to adjustment of the fixed interest for the financing, hedge accounting is applied. No inefficiency has affected the net income for the year. The sensitivity analysis below shows the effect on income of an increase in market interest rates and in the credit margin of 1 percentage point for Saab's refinancing of credits.

#### Financing (refers to utilised credit facilities)

##### Sensitivity analysis of financial risk

MSEK Maturities	Fixed interest <sup>1)</sup>	Effect of market interest rate, 1%	Tied-up capital	Effect of credit spread, 1%	Effect on financial costs
1 year	555	5.5	555	5.5	11.0
2 years	-	-	-	-	-
3 years	-	-	-	-	-
4 years	-	-	-	-	-
5 years and forward	1,000	10.0	1,000	10.0	20.0
Total	1,555	15.5	1,555	15.5	31.0

1) In the fixed interest effects of derivative agreements entered are included.

NOTE 41, CONT.

**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 138 GWh per year (142) with a spot price risk of MSEK 1.4 (1.4) per every time the price of electricity changes by SEK 0.01. Electricity derivatives 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 -12 (-13). 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 0 (-3).

**Credit and counterparty risks**

Credit risk is the risk that the counterparty in a transaction will not be able to fulfil the financial obligations of a contract. In the course of its day-to-day operations, Saab is exposed to credit risks as a result of transactions with counterparties in the form of customers, suppliers and financial players. The Group's aggregate credit risks consist of commercial credit risks and financial credit risks.

*Commercial credit risks*

Commercial credit risks consist of outstanding accounts receivable and advances paid to suppliers. 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.

*Accounts receivable*

On 31 December 2013, the Group's outstanding accounts receivable amounted to MSEK 3,314 (3,454). The Receivables Financing Programme reduced accounts receivable at year-end by 555 (852). Defence-related sales accounted for 80 per cent (82) 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 50 per cent (56) 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.

Impairments of accounts receivable amounted, as of 31 December 2013, to MSEK 19 (13), corresponding to 0.5 per cent (0.3) of total accounts receivable. Impairments of accounts receivable have changed as follows.

MSEK	2013	2012
Impairments, 1 January	-13	-19
Impairments for calculated losses	-15	-5
Reversal of previous impairments	3	1
Actual credit losses	5	10
Translation differences	1	-
Impairments, 31 December	-19	-13

The following table shows an age analysis of the Group's overdue receivables:

MSEK	31-12-2013	31-12-2012
<30 days	329	412
30 to 90 days	443	169
91 to 180 days	109	196
>181 days	263	124
Accounts receivable overdue	1,144	901
Accounts receivable not overdue	2,170	2,553
Total accounts receivable	3,314	3,454

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 2013, the Group had paid its suppliers advances of MSEK 152 (89). 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, see tables below.

**Market value of financial assets and liabilities subject to netting arrangements**

2013	Gross amount	Set-off	Net amount in balance sheet	Master netting arrangements	Collateral received/assets pledged	Net amount
Currency derivatives	384	-	384	-158	-	226
Interest rate derivatives	5	-	5	-5	-	-
Electricity derivatives	6	-	6	-	-	6
Assets	395	-	395	-163	-	232
Currency derivatives	291	-	291	-158	-	133
Interest rate derivatives	14	-	14	-5	-	9
Electricity derivatives	18	-	18	-	-	18
Liabilities	323	-	323	-163	-	160

NOTE 41, CONT.

2012	Gross amount	Set-off	Net amount in balance sheet	Master netting arrangements	Collateral received/ assets pledged	Net amount
Currency derivatives	509	-	509	-181	-	328
Interest rate derivatives	1	-	1	-1	-	-
Electricity derivatives	4	-	4	-	-	4
<b>Assets</b>	<b>514</b>	<b>-</b>	<b>514</b>	<b>-182</b>	<b>-</b>	<b>332</b>
Currency derivatives	204	-	204	-181	-	23
Interest rate derivatives	37	-	37	-1	-	36
Electricity derivatives	17	-	17	-	-	17
<b>Liabilities</b>	<b>258</b>	<b>-</b>	<b>258</b>	<b>-182</b>	<b>-</b>	<b>76</b>

Credit risk is calculated on established and anticipated risks pursuant to the recommendations of the Bank of International Settlements (BIS I). On 31 December 2013, counterparty risks amounted to MSEK 3,617 (5,356), of which deposits with banks, mortgage institutions, companies and the Swedish state totalled MSEK 3,118 (4,916).

#### 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 as VaR. If the cumulative result for the year is negative, the mandate is reduced correspondingly. In 2013, trading income was MSEK 21 (31), which is reported as other operating income. The average utilised risk mandate (VaR) during the year amounted to MSEK 2 (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 (hedging instruments) amounts to MSEK 4 (13), market value of currency risk in order backlog (hedged items) amounts to MSEK -4 (-13). 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.

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 primarily 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 440 (681), of which the unrealised value of derivatives was MSEK 91 (235) and the realised effects arising from rollovers of derivatives was MSEK 349 (446).

The change in the hedge reserve in 2013 of MSEK 241 consists of a reversal to profit or loss of MSEK -81, the change in the value of existing derivatives of MSEK -62, the market value of hedges obtained during the year of MSEK -16, and the change that arose due to the rollovers of derivatives of MSEK -82. 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 2 (-3).

#### 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 2013, the Group had the following financial assets and liabilities at fair value:

#### Assets at fair value

MSEK	2013	Level 1	Level 2	Level 3
Bonds and interest-bearing securities	2,002	2,002	-	-
Forward exchange contracts	376	-	376	-
Currency options	8	-	8	-
Interest rate swaps	6	-	6	-
Electricity derivatives	6	6	-	-
Shares and participations	154	114	-	40
<b>Total</b>	<b>2,552</b>	<b>2,122</b>	<b>390</b>	<b>40</b>

#### Liabilities at fair value

MSEK	2013	Level 1	Level 2	Level 3
Forward exchange contracts	281	-	281	-
Currency options	12	-	12	-
Interest rate swaps	5	-	5	-
Electricity derivatives	18	18	-	-
<b>Total</b>	<b>316</b>	<b>18</b>	<b>298</b>	<b>-</b>

#### 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 (50) was invested in interest-bearing assets and the remaining 50 per cent (50) in equities and alternative investments. The market value of the fund's assets as of 31 December 2013 was MSEK 4,595 (4,346) and the annual return was 6 per cent (8). In 2013, the fund was capitalised by MSEK 0 (0) and MSEK 0 (2) in refunds were paid. The table below shows the solvency margin for the pension fund.

NOTE 41, CONT.

MSEK	31-12-2013	31-12-2012	31-12-2011	31-12-2010
Fair value of assets under management	4,595	4,346	4,050	3,969
Present value of defined-benefit obligations <sup>1)</sup>	5,785	6,485	5,866	4,675
Solvency margin	79%	67%	69%	85%
Pension obligation according to PRI	4,736	4,615	4,489	4,042
Solvency margin	97%	94%	90%	98%

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	
	31-12-2013	31-12-2012	31-12-2013	31-12-2012
<b>Assets pledged for own liabilities and provisions</b>				
Bonds and other securities	10	10	10	10
Other assets	29	110	-	-
<b>Total</b>	<b>39</b>	<b>120</b>	<b>10</b>	<b>10</b>
<b>Contingent liabilities</b>				
Guarantees to insurance company, FPG/PRI	95	92	95	92
Guarantees for Group companies' commitments to customers	-	-	3,825	4,067
Sureties for joint ventures	6	6	-	-
Sureties for associated companies	6	8	72	85
<b>Total</b>	<b>107</b>	<b>106</b>	<b>3,992</b>	<b>4,244</b>

In the ordinary course of business, Saab is occasionally involved in disputes and legal proceedings arising as a result of the company's operations worldwide. These disputes and legal proceedings are not expected, either individually or collectively, to have any significant negative effect on Saab's financial result or position.

Saab currently has a legal dispute concerning interpretation of an agreement, where a negative outcome is not probable and consequently no provision has been recognised. Should however, against expectations, the dispute result in a negative outcome for Saab, it cannot be ruled out that the financial effect would not be non-material.

Saab has had a legal dispute with the Danish Defence Acquisition and Logistics Organization, Forsvarets Materieltjeneste (FMT). The context of the dispute is the termination of an agreement regarding the command and control system, DACCIS. On 25 April 2013, the Danish Supreme Court ruled that Saab should pay FMT MSEK 314. The payment includes the repayment of damages ruled by the Maritime and Commercial Court in Copenhagen 2010, payments received under the DACCIS contract, as well as court costs amounting to MSEK 231 and interest amounting to MSEK 83.

In 2012 Saab received a claim for alleged patent infringement in the US. A settlement has been reached. No material amounts have been paid.

The table below shows the total sum of guarantees that do not represent contingent liabilities and a distribution by category and issuer.

MSEK	31-12-2013	per cent of total	31-12-2012	per cent of total
Parent Company guarantees	1,562	22	1,339	22
Bank guarantees	5,437	78	4,668	78
<b>Total guarantees</b>	<b>6,999</b>	<b>100</b>	<b>6,007</b>	<b>100</b>
Bank guarantees:				
On demand	4,769	88	3,974	85
Proprietary	668	12	694	15
<b>Total bank guarantees</b>	<b>5,437</b>	<b>100</b>	<b>4,668</b>	<b>100</b>

Type of guarantee:	31-12-2013	per cent of total	31-12-2012	per cent of total
Advances	3,298	47	2,146	36
Completion	3,079	44	3,080	51
Tenders, credits and other	622	9	781	13
<b>Total guarantees</b>	<b>6,999</b>	<b>100</b>	<b>6,007</b>	<b>100</b>

With regard to the Group's so-called fulfilment guarantees for commitments to customers, the likelihood of an outflow of resources is extremely small and, as a result, no value is recognised in the table of contingent liabilities.

## NOTE 43 Transactions with Related Parties

The Group's financial agreements conform to market principles. Saab have not had any significant transactions with Investor, Board members or members of Group Management. For information on remuneration, see Note 37.

Of the Parent Company's sales, 5 per cent referred to sales to Group companies, while 17 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 52 (42) and MSEK 132 (72), respectively.

## NOTE 44 Group Companies

### Significant Group company holdings

Group company	Group company's registered office, country	Ownership share, per cent	
		2013	2012
Combitech AB	Växjö, Sweden	100	100
HITT N.V.	The Netherlands	100	98.9
MEDAV GmbH	Germany	100	100
Saab Australia Pty Ltd	Australia	100	100
Saab Barracuda AB	Västervik, Sweden	100	100
Saab Barracuda LLC	USA	100	100
Saab Czech s.r.o.	Czech Republic	100	100
Saab Defense and Security USA LLC	USA	100	100
Saab Dynamics AB	Karlskoga, Sweden	100	100
Saab Danmark A/S	Denmark	100	100
Saab Grintek Defence (Pty) Ltd	South Africa	71	71
Saab Seaeye Ltd	UK	100	100
Saab Sensis Corporation	USA	100	100
Saab Systems Oy	Finland	100	100

NOTE 44, CONT.

**Specification of Parent Company's holdings of shares in Group companies**

Group company/Corp. ID no./Reg. office	31-12-2013		Carrying amount, MSEK
	No. of shares	Share, per cent	
Celsius AB, 556194-4652, Linköping, Sweden	5,000	100.0%	144
Celsius Invest AB, 556164-6588, Stockholm, Sweden	1,720,000	100.0%	518
Combitech AB, 556218-6790, Växjö, Sweden	100,000	100.0%	1,039
EMC Services Elmiljöteknik AB, 556315-6636, Mölndal, Sweden	2,000	100.0%	3
Fastighets AB Linköping Malmen 27, 556354-6349, Linköping, Sweden	20,000	100.0%	4
Fastighets AB Odengatan Jönköping, 556378-6226, Järfälla, Sweden	2,000	100.0%	-
Fastighets AB Stensholm-Huskvarna, 556030-2746, Jönköping, Sweden	150,000	100.0%	42
FFV Ordnance AB, 556414-8194, Karlskoga, Sweden	100,000	100.0%	10
HITT N.V., The Netherlands	-	100.0%	290
Kockums Holdings AB, 556036-4100, Linköping, Sweden	48,000	100.0%	5
Lansen Försäkrings AB, 516401-8656, Linköping, Sweden	500,000	100.0%	51
MEDAV GmbH, Germany	-	100.0%	235
Saab d.o.o., Slovenia	-	100.0%	-
Saab Aerospace Overseas AB, 556628-6448, Linköping, Sweden	1,000	100.0%	-
Saab Aircraft Leasing Holdings AB, 556124-3170, Linköping, Sweden	30,000	100.0%	1,500
Saab Airport AB, 556366-8333, Linköping, Sweden	5,000	100.0%	3
Saab Asia Pacific Co., Ltd, Thailand	-	100.0%	12
Saab Barracuda AB, 556045-7391, Västervik, Sweden	200,000	100.0%	92
Saab Czech s.r.o., Czech Republic	-	100.0%	24
Saab Danmark A/S, Denmark	-	100.0%	103
Saab Dynamics AB, 556264-6074, Karlskoga, Sweden	500,000	100.0%	357
Saab India Technologies Private Limited, India	-	100.0%	-
Saab International AB, 556267-8994, Stockholm, Sweden	50,000	100.0%	13
Saab Kenya Ltd, Kenya	-	100.0%	-
Saab Microwave Systems AB, 556028-1627, Mölndal, Sweden	300,000	100.0%	49
Saab North America, Inc., USA	-	100.0%	1,141
Saab Precision Components AB, 556627-5003, Jönköping, Sweden	2,000	100.0%	8
Saab Seaeye Holdings Ltd, UK	-	100.0%	194
Saab South Africa (Pty) Ltd, South Africa	-	95.0%	443
Saab Surveillance Solutions AB, 556627-1929, Linköping, Sweden	1,000	100.0%	1
Saab Surveillance Systems AB, 556577-4600, Järfälla, Sweden	1,000	100.0%	-
Saab Systems Oy, Finland	-	100.0%	56
Saab Technologies Norway AS, Norway	-	100.0%	1
Saab Technologies UK Limited, UK	-	100.0%	-
Saab Training Systems B.V., The Netherlands	-	100.0%	6
Saab Training Systems GmbH, Germany	-	100.0%	3
Saab Ventures AB, 556757-5211, Linköping, Sweden	1,000	100.0%	-
Teknikinformation i Krokomb AB, 556317-4043, Krokomb, Sweden	1,600	100.0%	18
Dormant companies etc.	-	-	106
Carrying amount at year-end			6,471

**Parent Company**

MSEK	2013	2012
<b>Accumulated acquisition value</b>		
Opening balance, 1 January	17,208	17,086
New issues/shareholders' contributions	26	27
Acquisitions	32	540
Sales and liquidations	-	-454
Reclassifications	-	9
Closing balance, 31 December	17,266	17,208
<b>Accumulated impairments</b>		
Opening balance, 1 January	-10,726	-10,679
Impairments for the year	-69	-47
Closing balance, 31 December	-10,795	-10,726
<b>Carrying amount, 31 December</b>	<b>6,471</b>	<b>6,482</b>

Impairment reversals and impairments for the year are reported in the income statement on the line "Result from shares in Group companies."

**NOTE 45 Untaxed Reserves****Parent Company**

MSEK	2013	2012
<b>Tax allocation reserve:</b>		
Opening balance, 1 January	864	350
Provision for the year	322	514
Closing balance, 31 December	1,186	864
<b>Accumulated accelerated depreciation</b>		
Buildings and land:		
Opening balance, 1 January	32	48
Under depreciation for the year	-14	-16
Closing balance, 31 December	18	32
Machinery and equipment:		
Opening balance, 1 January	380	397
Under depreciation for the year	-24	-17
Closing balance, 31 December	356	380
<b>Total untaxed reserves, 31 December</b>	<b>1,560</b>	<b>1,276</b>

**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	2013	2012
<b>MSEK</b>		
Cash flow from operating activities before changes in working capital	1,835	2,511
<b>Working capital</b>		
Inventories	-147	-199
Current receivables	-1,370	707
Advance payments from customers	287	-459
Other current liabilities	-1,010	-1,701
Provisions	-277	-509
Change in working capital	-2,517	-2,161
<b>Cash flow from operating activities</b>	<b>-682</b>	<b>350</b>
<b>Investing activities</b>		
Investments in intangible fixed assets	-68	-343
Investments in tangible fixed assets	-543	-328
Investments in lease assets	-	-1
Sale of tangible fixed assets	46	10
Sale of lease assets	81	312
Investments in operations and associated companies, net effect on liquidity	-68	-568
Sale of subsidiaries and associated companies, net effect on liquidity	-	174
Investments in and sale of financial assets	-246	-2
Cash flow from investing activities excluding change in short-term investments and other interest-bearing financial assets	-798	-746
<b>Operating cash flow</b>	<b>-1,480</b>	<b>-396</b>

Comparative figures presented for 2012 are restated according to the changed accounting principles for pensions (IAS 19).

## OPERATING CASH FLOW VERSUS CASH FLOW FOR THE YEAR IN STATEMENT OF CASH FLOWS

MSEK	2013	2012
Operating cash flow	-1,480	-396
Investing activities – interest-bearing:		
Short-term investments	1,936	585
Other financial investments and receivables	232	28
Financing activities:		
Repayment of loans	-1,100	-19
Raising of loans	1,071	-
Dividend paid to the Parent Company's shareholders	-477	-474
Dividend paid to non-controlling interest	-1	-
Cash flow for the year	181	-276

## SUPPLEMENTAL INFORMATION ON STATEMENT OF CASH FLOWS

**Liquid assets**

Group	31-12-2013	31-12-2012
<b>MSEK</b>		
<b>The following components are included in liquid assets:</b>		
Cash and bank balances	651	622
Bank deposits	1,113	862
Funds in escrow account	-	131
Deposits on behalf of customers	-	1
Total according to the statement of financial position	1,764	1,616
<b>Total according to statement of cash flows</b>	<b>1,764</b>	<b>1,616</b>

**Parent Company**

MSEK	31-12-2013	31-12-2012
<b>The following components are included in liquid assets:</b>		
Cash and bank balances	155	87
Bank deposits	1,113	862
Total according to balance sheet	1,268	949
<b>Total according to statement of cash flows</b>	<b>1,268</b>	<b>949</b>

**Interest paid and dividends received**

MSEK	Group		Parent Company	
	2013	2012	2013	2012
Dividends received	10	2	652	291
Interest received	98	218	181	342
Interest paid	-183	-101	-200	-169
Total	-75	119	633	464

NOTE 46, CONT.

**Adjustments for items not affecting cash flow**

MSEK	Group		Parent Company	
	2013	2012	2013	2012
Depreciation and amortisation	1,034	1,172	572	548
Impairments	13	17	-	-
Changes in the value of biological assets	10	-1	-	-
Changes in the value of investment properties	2	1	-	-
Share of profits in associated companies	-25	-27	-	-
Dividends from associated companies	10	2	-	-
Dividends and Group contributions from/to Group companies	-	-	-653	-902
Capital gains/losses from sales of Group companies, associated companies and other shares	-	-10	-	-33
Capital gains/losses on sales of tangible fixed assets	-12	-1	-36	-
Impairment of shares and receivables	133	4	632	47
Provisions	124	-57	190	50
Provisions for pensions	29	79	-115	-150
Other	-94	-97	24	43
<b>Total</b>	<b>1,224</b>	<b>1,082</b>	<b>614</b>	<b>-397</b>

**Investments in operations and subsidiaries**

Group	2013	2012
<b>MSEK</b>	<b>2013</b>	<b>2012</b>
<b>Acquired assets and liabilities</b>		
Intangible fixed assets	40	631
Tangible fixed assets	4	7
Deferred tax assets	-	4
Inventories	9	62
Current receivables	17	254
Liquid assets	-	25
<b>Total assets</b>	<b>70</b>	<b>983</b>
Provisions	-	2
Deferred tax liability	4	56
Interest-bearing liabilities	3	47
Current liabilities	13	180
<b>Total liabilities</b>	<b>20</b>	<b>285</b>
Purchase price paid	51	593
Less: Liquid assets in acquired operations	-4	-25
<b>Effect on the Group's liquid assets</b>	<b>47</b>	<b>568</b>
<b>Effect on the Group's net liquidity</b>	<b>44</b>	<b>521</b>

Acquisitions in 2013 mainly relate to Teknikinformation i Krokomb AB (TIKAB) and the British company Hydro-Lek Limited. Acquisitions in 2012 mainly relate 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 of associated companies**

Group	2013	2012
<b>MSEK</b>	<b>2013</b>	<b>2012</b>
<b>Acquired assets and liabilities</b>		
Financial fixed assets	21	-
<b>Total assets</b>	<b>21</b>	<b>-</b>
Purchase price paid	21	-
<b>Effect on Group's liquid assets</b>	<b>21</b>	<b>-</b>

Acquisitions in 2013 relate to acquisitions in the venture portfolio.

**Sale of subsidiaries and associated companies**

Group	2013	2012
<b>MSEK</b>	<b>2013</b>	<b>2012</b>
<b>Divested assets and liabilities</b>		
Tangible fixed assets	-	190
Financial fixed assets	-	7
Current receivables	-	1
<b>Total assets</b>	<b>-</b>	<b>198</b>
Deferred tax liability	-	25
<b>Total liabilities</b>	<b>-</b>	<b>25</b>
Sales price	-	174
<b>Purchase price received</b>	<b>-</b>	<b>174</b>
Less: Liquid assets in divested operations	-	-
<b>Effect on the Group's net liquidity</b>	<b>-</b>	<b>174</b>
Of which liquid assets	-	174

Divestments in 2012 relate to an investment property and the shares in Sörman Intressenter AB, parent company of Sörman Information 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 2013 comprise the Parent Company and its Group companies, together referred to as the Group. The Group also includes the holdings in associated companies and joint ventures.

Saab AB also operates a small business in a South Korean branch.

**NOTE 48 Environmental Report****Operations subject to licensing in the Parent Company**

Production of aircraft and aircraft components by the Parent Company, Saab AB, in the Tannefors industrial zone in the municipality of Linköping is subject to licensing pursuant to the Swedish Environment Code due to aeronautics operations, surface treatment processes, manufacturing of composite materials, handling of chemical substances 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 manufacturing operations predominantly entail operations subject to licensing. The National Licensing Board for Environmental Protection granted the licence for aircraft manufacture in 1990. The supervisory authorities and the Land and Environment Court imposed additional terms for these operations in 2006 and 2007, respectively, against the backdrop of the EU's IPPC directive.

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 recommended values, Saab AB did not exceed any conditions in its permits or injunctions in 2013.

**Operations subject to licensing in subsidiaries**

The operations carried on by Saab Airport AB are subject to licensing under the Environment Code and are covered by the permit issued by the National Licensing Board for Environmental Protection in 1990 for Saab 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. 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 2013, none of Saab's subsidiaries exceeded any conditions of their permits or injunctions.

**Operations subject to notification requirements**

Saab AB has operations in Arboga, Huskvarna, Ljungbyhed, Malmslätt, Nyköping and Östersund which are subject to notification requirements pursuant to the Swedish Environment Code. Permits in Arboga and Malmslätt still apply. These were granted by the county boards in 1993 and 1994, respectively. The Group also has operations subject to notification requirements in the subsidiaries Saab Dynamics AB in Motala and Saab Precision Components AB in Jönköping. Permit in Motala still applies. The environmental impact of these operations is extremely limited.

**NOTE 49 Exchange Rates used in Financial Statements**

Country	Year-end rate		Average rate		
	2013	2012	2013	2012	
Australia AUD	1	5.76	6.77	6.30	7.02
Denmark DKK	100	119.86	115.52	115.99	116.96
Euro EUR	1	8.94	8.62	8.65	8.71
India INR	100	10.49	11.88	11.17	12.71
Canada CAD	1	6.07	6.55	6.33	6.78
Norway NOK	100	105.80	116.72	110.95	116.41
Switzerland CHF	1	7.29	7.13	7.03	7.22
UK GBP	1	10.73	10.49	10.19	10.73
South Africa ZAR	100	62.13	76.61	67.73	82.75
Czech Republic CZK	100	32.60	34.36	33.33	34.64
USA USD	1	6.51	6.52	6.51	6.78

**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, excluding special employer's contribution.

**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 479. Unrestricted equity amounts to MSEK 4,992 in Saab AB and profit carried forward in the Group before the dividend paid amounts to MSEK 9,843.

Net income for the year attributable to Parent Company's shareholders amounted to MSEK 741 for the Group and MSEK 885 for the Parent Company.

After paying the dividend to the shareholders, the Group's equity/assets ratio amounts to 42.8 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 44 per cent in 2013.

Saab's gross capital expenditure in 2013 amounted to MSEK 543, which is considered a good estimation of annual future investments in tangible fixed assets. Investments are also made in research and development, which in 2013 amounted to MSEK 1,332, of which MSEK 24 was capitalised in the balance sheet.

At year-end, Saab had a net liquidity, which includes liquid assets, short-term investments and interest-bearing receivables less interest-bearing liabilities, including provisions for pensions, amounting to MSEK 1,013. Saab's ability to carry out its commitments is not expected to be affected by the proposed dividend either on a short- or a long-term basis.

The proposed dividend is considered justifiable with regard to what is stated in chapter 17, § 3, paragraphs two and three of the Companies Act (2005:551):

1. The demands that the company's nature, scope and risks place on the size of its equity, and
2. The company's consolidation needs, liquidity or financial position in other respects.

*The Board of Directors Saab AB*

# PROPOSED DISPOSITION OF EARNINGS 2013

The Board of Directors and the President propose that the unappropriated earnings in the Parent Company at disposal of the Annual General Meeting, amounting to:

SEK	
Retained earnings	4,106,201,831
Net income for the year	885,193,911
<b>Total</b>	<b>4,991,395,742</b>
Be disposed as follows:	
To the shareholders, a dividend of SEK 4.50 per share	478,863,648
Funds to be carried forward	4,512,532,094
<b>Total</b>	<b>4,991,395,742</b>

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	700,404,106
Retained earnings	4,512,532,094
<b>Total</b>	<b>7,501,812,839</b>

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 479 (477), 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 2013, of 106,414,144. Saab's equity/assets ratio is currently 43.8 per cent (39.0) and after the proposed disposition of earnings will be 42.8 per cent (38.0).

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, 13 February 2014

**Marcus Wallenberg**  
Chairman

**Johan Forssell**  
Board member

**Sten Jakobsson**  
Deputy Chairman

**Sara Mazur**  
Board member

**Per-Arne Sandström**  
Board member

**Cecilia Stegö Chilò**  
Board member

**Lena Treschow Torell**  
Board member

**Joakim Westh**  
Board member

**Stefan Andersson**  
Board member

**Catarina Carlqvist**  
Board member

**Conny Holm**  
Board member

**Håkan Buskhe**  
President and Chief Executive Officer (CEO) and board member

Our audit report was submitted on 21 February 2014  
PricewaterhouseCoopers AB

**Håkan Malmström**  
Authorised Public Accountant  
Auditor in charge

**Anna-Clara Af Ekenstam**  
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 2013. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 44–120.

### *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 2013 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 2013 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 statu-

tory 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 2013.

### *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 21 February 2014

PricewaterhouseCoopers AB

**Håkan Malmström**  
Authorised Public Accountant  
Auditor in charge

**Anna-Clara Af Ekenstam**  
Authorised Public Accountant

# CORPORATE GOVERNANCE REPORT

## Introduction

Saab AB is a Swedish public limited liability company and the company's shares are 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 37 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 also includes an obligation to comply with the Swedish Code of Corporate Governance ("the Code"). The Code is available at [www.bolagsstyrning.se](http://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 2013. Moreover, the Annual General Meeting 2013 was planned and carried out in accordance with the Code and the Annual General Meeting in 2014 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 2013.

## 1 Shareholders' Meeting and ownership structure

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 17 April 2013 in Stockholm. 517 shareholders were represented at the meeting, corresponding to approximately 68 per cent of the total voting rights in the company. This year the Annual General Meeting will be held on the 8 April 2014 in Stockholm. For further information please see page 131.

Saab's share capital amounted to SEK 1,746,405,504 on 31 December, 2013 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. All series A shares are owned by Investor AB.

## Largest shareholders, 31 December 2013

According to SIS Ownership Service	Share of capital, %	Share of votes, % <sup>1)</sup>
Investor AB, Sweden	30.0	40.4
Wallenberg Foundations, Sweden	8.7	7.7
Swedbank Robur Funds, Sweden	4.8	4.2
AFA Insurance, Sweden	4.6	4.0
Unionen, Sweden	2.7	2.3
Norwegian Bank Investment Mgt, Norway	2.2	1.9
SEB Funds, Sweden	2.1	1.9
SHB funds, Sweden	2.0	1.7
Fourth AP Fund, Sweden	1.5	1.3
Nordea Funds, Sweden	1.4	1.2
Total	60.0	66.6

<sup>1)</sup> Share of votes, % is calculated based on the number of shares, excluding Treasury shares, at year-end.

At the end of December 2013, Saab held 2,736,200 own shares of series B shares, corresponding to approximately 2.5 per cent of the share capital. For additional information about the ownership structure, see pages 132-134. The Board of Directors has an authorisation from the Shareholders' Meeting to repurchase shares, see page 57 for further information.

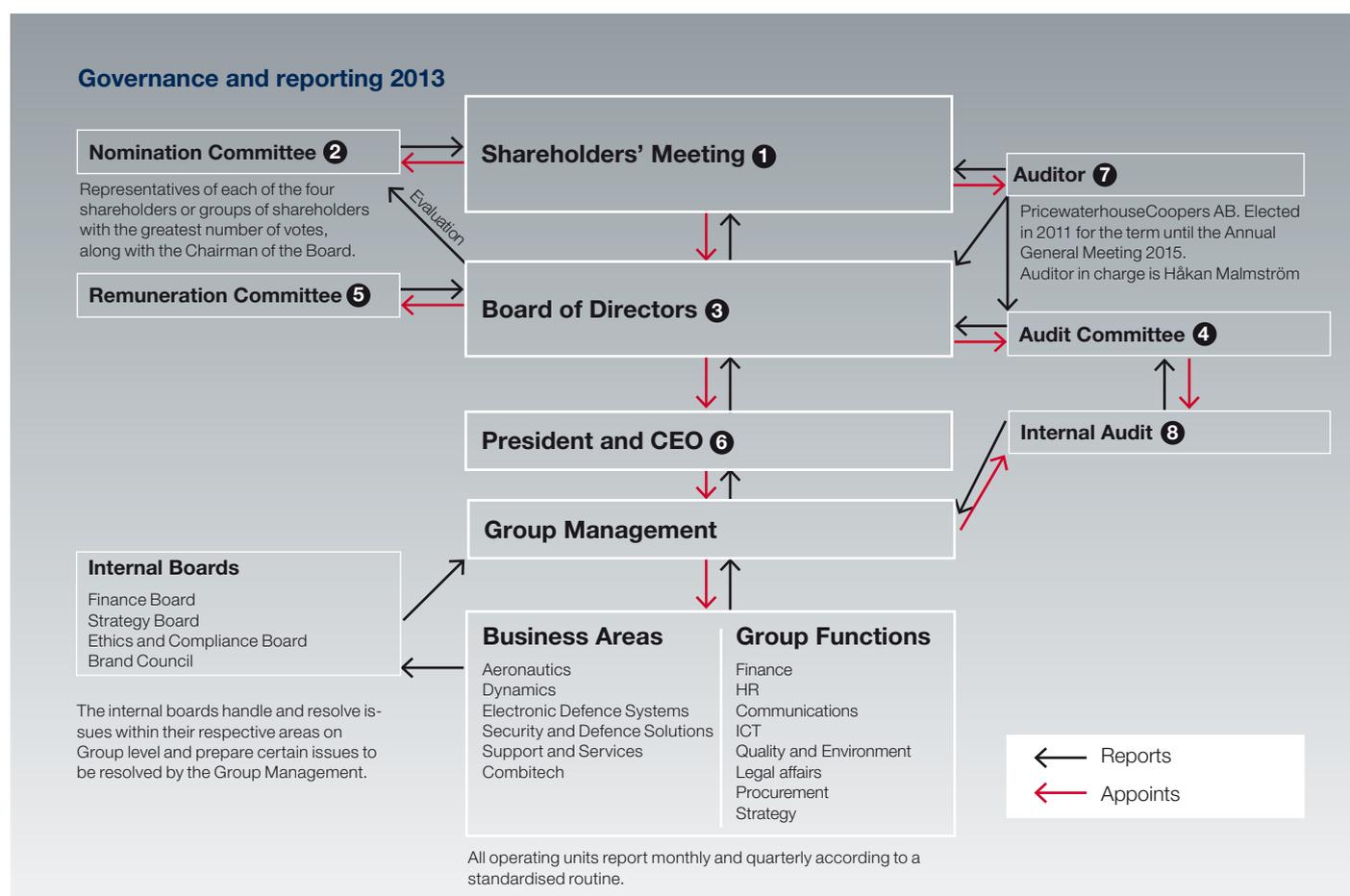
## 2 Nomination Committee

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 8 April 2014, it was announced through a press release on 4 October 2013 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), Tomas Hedberg (Swedbank Robur Funds) and Anders Algots-son (AFA Insurance). Petra Hedengran is the Chairman of the Nomination Committee.

These persons represent in the aggregate approximately 55 per cent of the votes in Saab based on the ownership structure as of 31 August 2013.

The proposal of the Nomination Committee will be presented not later than in connection with the notice of the Annual General Meeting 2014.

#### Members of the Nomination Committee for Annual General Meeting 2014

Member	Representing	% of votes 31-8-2013	% of capital 31-8-2013
Petra Hedengran	Investor AB, Sweden	39.5	30.0
Peter Wallenberg Jr	Knut och Alice Wallenbergs Foundation	7.6	8.7
Tomas Hedberg	Swedbank Robur Funds, Sweden	4.5	5.3
Anders Algots-son	AFA Insurance, Sweden	3.6	4.2
Marcus Wallenberg	Chairman of the Board, Saab AB	-	-

### ③ 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. According to resolution at the Annual General Meeting on April 17, 2013, 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 17 April 2013, Håkan Buskhe, Johan Forssell, Sten Jakobsson, Per-Arne Sandström, Cecilia Stegö Chilò, Lena Treschow Torell, Marcus Wallenberg and Joakim Westh were re-elected. At the Annual General Meeting Sara Mazur was elected as new member of the Board. Åke Svensson had informed that he declined re-election.

Marcus Wallenberg was elected Chairman of the Board of Directors. At the statutory Board meeting after the Annual General Meeting Sten Jakobsson was elected Deputy Chairman of the Board. In the Board 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 2013 is set forth in the Annual Report, Note 37.

#### Members of the Board elected by the Shareholders' Meeting

Marcus Wallenberg	Sten Jakobsson	Cecilia Stegö Chilò
Håkan Buskhe	Sara Mazur	Lena Treschow Torell
Johan Forssell	Per-Arne Sandström	Joakim Westh

The Board Members' other significant professional commitments, work experience, holding of shares etc. are set forth in the presentation of the Board of Directors. See pages 128–129.

#### Employee representatives

Regulars	Deputies
Stefan Andersson	Göran Gustavsson
Catarina Carlqvist	Jan Kovacs
Conny Holm	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 of the company, as well as in relation to the company's major shareholders.

#### Composition and independence of the Board in 2013

Board member	Elected	Independent of the company/management	Independent of major shareholders
Marcus Wallenberg	1992	Yes	No <sup>1)</sup>
Håkan Buskhe	2011	No <sup>2)</sup>	Yes
Johan Forssell	2010	Yes	No <sup>3)</sup>
Sten Jakobsson	2008	Yes	Yes
Sara Mazur	2013	Yes	Yes
Per-Arne Sandström	2005	Yes	Yes
Cecilia Stegö Chilò	2010	Yes	Yes
Lena Treschow Torell	2005	Yes	No <sup>4)</sup>
Joakim Westh	2010	Yes	Yes

1) Member of Investor AB's Board

2) President and CEO of Saab

3) Employed by Investor AB

4) 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 of the company, 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 2013, the Board held one statutory meeting, six ordinary meetings and two extraordinary meetings, totalling nine meetings. All of the Board meetings during 2013 were held in Stockholm. In December 2013 the Board visited the subsidiary Saab Seaeve in Great Britain.

The Board annually adopts rules of procedure, 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, including the role of the chairman of the Board as well as between the Board and the CEO. The instruction for the CEO sets out the CEO's duties and authority, including which matters that requires a Board resolution. 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 an agenda. Prior to the meetings the Board Members receive documentation and supporting material for the issues on the agenda. At each Board meeting, the CEO presents a Market and Operations Report. A financial report is presented at each Board meeting and particularly detailed before the quarterly reports and year-end report. Financial reports are also put together in between the Board meetings and sent to the Board. The Board regularly reviews and considers investments, matters on research and development, organisational issues as well as mergers and acquisitions, and divestments of companies. Included in the Board's annual work is to decide on the company's

#### Attendance and Board remuneration

Name	Audit Committee	Remuneration Committee	Attendance		Fees kSEK			Total kSEK
			Board meetings <sup>1)</sup>	Committee meetings <sup>2)</sup>	Board <sup>3)</sup>	Audit Committee	Remuneration Committee	
Marcus Wallenberg		X	9	6	1,185		80	1,265
Håkan Buskhe			9					
Johan Forssell	X		9	5	460	100		560
Sten Jakobsson		X	9	6	490		80	570
Sara Mazur <sup>4)</sup>			5		460			460
Per-Arne Sandström	X		9	5	460	150		610
Cecilia Stegö Chilò			9		460			460
Åke Svensson <sup>5)</sup>			2					
Lena Treschow Torell		X	9	6	460		135	595
Joakim Westh	X		9	5	460	100		560

1) Of a total of 9 meetings during 2013.

2) Of a total of 5 meetings for Audit Committee and 6 meetings for Remuneration Committee during 2013.

3) Refers to the fee by the Annual General Meeting 2013 agreed fee for the period until the Annual General Meeting 2014.

The President and CEO Håkan Buskhe does not receive a fee.

4) Elected 2013, thereafter 5 meetings in total.

5) Left the Board of Directors in connection with the Annual General Meeting 2013, when he declined re-election. He received fees for the period January-March 2013 amounting to SEK 112 500 and participated in 2 of 4 meetings until the Annual General Meeting 2013.

Saab's Board of Directors visiting Saab Seaeve in the UK during 2013



business plan and strategy, which is normally resolved by the Board in June. Every year in December the Board meeting considers the company's budget for the coming year. During 2013 the Board has particularly worked on the agreement with Swedish Defence Materiel Administration (FMV) concerning development and modification of Gripen E to Sweden as well as a possible order of new productions of Gripen E from Switzerland and other questions related to Gripen E. Furthermore, the Board has worked on a joint development agreement with Boeing on a new T-X Family of Systems training solution, part of an procurement process to the US Air Force.

During the year, the Board has also worked with essential export and marketing strategies, the company's business ethical standards as well as efficiency measures within the Group.

The Board of Directors and Group Management also received anti-corruption training in 2013, under the direction of the General Counsel. The training session, approximately three hours in duration, dealt with topics including international legislation, Saab's risk environment and the company's internal rules and regulations.

Committee work represents an important part of the Board's work. After each meeting of the Audit- and Remuneration Committees, the issues that have been handled are reported by respective Chairman of the committees to the Board, and resolutions are thereafter adopted on issues where the committees have prepared matters for resolution by the Board.

#### Board of Directors' committee work

##### 4 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 the company's auditors.

The Audit Committee consists 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 of the company as well as of the major shareholders. All members of the committee have accounting competence or auditing competence. The General Counsel, Annika Bärems, was Secretary to the Audit Committee during 2013.

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 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 Audit Committee has during 2013 been given the task to annually review, monitor and evaluate the effectiveness and appropriateness of the company's compliance program for business ethical conduct and keep itself informed of material deviations or non-compliance with the com-

pany's business ethical standards, including "whistle-blower"-reports, through regular reporting from the Ethics and Compliance Board. The company's external auditor is co-opted to the meetings of the Audit Committee. During 2013, the Audit Committee focused particularly on the financial reporting, the budget, quarterly audits, internal control, questions related to the company's business ethical standards 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 2013, the Committee held 5 meetings.

##### 5 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 of the company. The General Counsel, Annika Bärems, was secretary to the committee during 2013.

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 of senior executives 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 2013, the Remuneration Committee was particularly involved in the revision of the long-term incentive program – Performance Share Plan 2014 – for the company's senior executives and strategic key employees as well as an overview of the guidelines for the senior executives.

The Remuneration Committee keeps minutes of its meetings, which are promptly distributed to the other members of the Board. In 2013, the Committee held 3 ordinary meetings and 3 extraordinary 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 evaluation is made by the Board members responding to 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. The Chairman of the Board does not participate in this evaluation. 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 development of proposals to the composition of the Board.

The Board continuously evaluates the CEO's work by monitoring business results in relation to established objectives. During 2013 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, people and leadership. The CEO does not participate in this evaluation.

## 6 President and CEO

The President and CEO of Saab, Håkan Buskhé, is also a member of the Board. His significant professional commitments outside the company, earlier positions and holding of shares are set forth in the presentation of the Board of Directors and the Group Management, see pages 128 and 130. Håkan Buskhé does not own shares, nor is he a partner, in any company with which Saab has material business ties.

### Guidelines for remuneration and other benefits for senior executives

The guidelines for remuneration and other benefits for senior executives can be found in the administration report.

## 7 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 carry out statutory audit of the Corporate Governance Report. In addition, the Q1 interim report, the Q2 interim 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 until the Annual General Meeting 2015.
- Håkan Malmström, Authorised Public Accountant, Auditor in charge. Other audit assignments: Axel Johnson, Karo Bio, NCC, Nordstjärnan.
- Anna-Clara Af Ekenstam, Authorised Public Accountant. Other audit assignments: Svenska Cellulosa SCA AB and Knowit AB.

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.a. 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 2013 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.

### Auditors' fees for the Group, 2012–2013

MSEK	2013	2012
<b>Audit assignments:</b>		
PwC	16	15
Others	2	2
<b>Other assignments:</b>		
PwC	4	6

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

Under the provisions of the Swedish Companies Act and the Code, the Board of Directors 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 of Directors documents the manner in which it ensures the quality of the financial reports and how it communicates with the company's auditor.

The Board of Directors 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 2013.

The entire Board of Directors reviews the interim reports before they are published.

The Board of Directors has met with the auditor to discuss their review of the company for the financial year 2013. The Board of Directors has also met on one occasion with the auditor without the presence of the CEO or any other members of the Group Management.

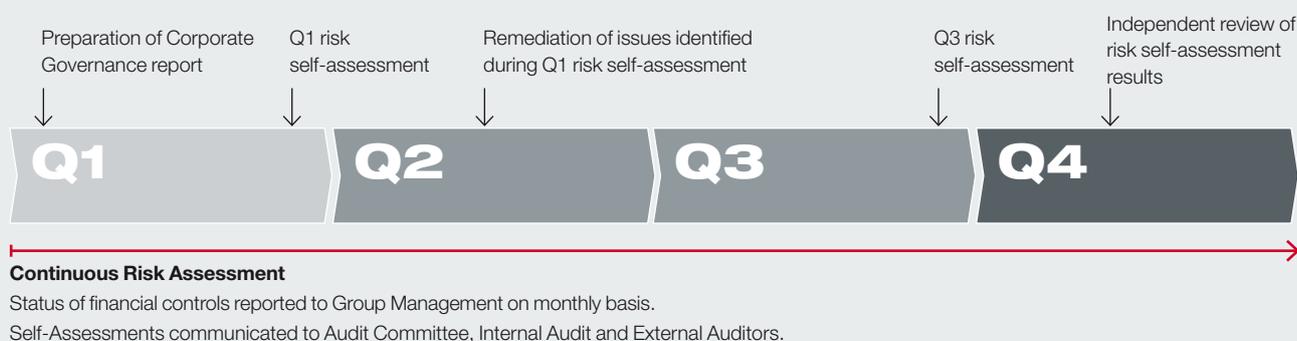
#### Internal control over financial reporting

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 of Directors' rules of procedure and a directive which sets forth the roles, responsibilities and activities of the Board and the CEO.

### The annual assessment process of internal financial controls



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 parts 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 and risks of inaccurate financial reporting, the processes are also assessed on the basis of the risk of exposure to any improprieties. Group Finance continuously coordinates an overall risk assessment of 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.

- 8 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 2013

During 2013, risk self-assessments were conducted on a regular basis in the Swedish, Danish and Australian operations. One independent evaluation was conducted on one occasion in these countries. Implementation of the self-assessment process was concluded in Saab's operations in South Africa and the US during 2013. The focus on internal control increased throughout the year since the Business Areas and Group functions have been reporting the status of their risk self-assessments on a quarterly basis to Group Finance. In addition a simplified process of the risk self-assessment has been implemented in the various Market Areas, i.e. the Nordic region, Americas, Asia Pacific, India, South Africa, Europe and Middle East & North Africa.

#### Focus in 2014

In 2014 a minimum of two self-assessments will be performed in all Saab business areas and the Group functions. At least one independent evaluation will be conducted. The implementation of the risk self-assessment process will be finalised in Germany, the Czech Republic and the Netherlands. 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  
B.Sc. of Foreign Service  
Lieutenant in Royal Swedish Naval Academy  
Shares in Saab: 100,000

### Other board commitments:

Chairman of SEB, Electrolux AB, LKAB and Foundation Asset Management AB, Board member of AstraZeneca PLC, Stora Enso Oyj, Investor AB, Temasek Holding Ltd, EQT Holdings AB 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 CEO of Saab AB  
Born 1963  
M.S.c., Licentiate of Engineering (transport and Logistics)  
Employed 2010  
Shares in Saab: 27,477

### 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 E.ON Sverige AB, Senior Vice President E.ON Sverige AB, Chairman of the Board of Directors Green Cargo, CEO Land Operations, Schenker AG, CEO of Schenker North, CEO Schenker-BTL AB, CEO Storel, CEO Carlsberg and Coca-Cola Distribution AB Production  
Director Carlsberg Sverige



## JOHAN FORSELL

Member of the Board since 2010  
Member of Saab's Audit Committee  
Member of the Management Group 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  
Member of Saab's Remuneration Committee  
Born 1949  
M.Sc. in Engineering  
Shares in Saab: 5,500

### Other board commitments:

Chairman of Power Wind Partner, 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



## SARA MAZUR

Member of the Board since 2013  
Vice President and Head of Ericsson Research, Ericsson AB  
Born 1966  
Ph.D. Electrical Engineering, KTH Royal Institute of Technology  
M.Sc. Electrical Engineering, KTH Royal Institute of Technology  
Shares in Saab: 500

### Other board commitments:

Member of the Strategic Advisory Board of the School of Electrical Engineering, KTH Royal Institute of Technology, Member of the Royal Swedish Academy of Engineering Sciences (IVA), Division XI – Education and Research

### Former employment and positions:

Vice President System Management, Business Unit Networks, Ericsson AB, Director Wireless Access Networks Research, Ericsson Research, Ericsson AB, Member of the Board of the School of Electrical Engineering, KTH Royal Institute of Technology  
Member of the Board of the Wireless@KTH, Royal Institute of Technology

The shares held by Board members include any holdings by closely affiliated persons.

**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

**CECILIA STEGÖ CHILÖ**

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 AB, Board member of Spendrups Bryggeri AB, Board member of Linköping University Holding AB, Board member of Investment AB Spiltan, Board Member of the Expo Foundation, Board member of the Yump Foundation Sweden

**Former employment and positions:**

Board member of AMF Fonder, Länsförsäkringar Liv, and Marginalen Kredit och Finans AB CEO of the Free Enterprise Foundation of Sweden and of the think tank Timbro Cabinet member and Head of the Ministry of Culture Editorial writer and foreign politics commentator at Svenska Dagbladet Commentator at Sveriges Radio, Swedish Employer's Confederation Swedish Conservative Party

**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 and SKF AB, Chairman of the Chalmers University of Technology Chairman of 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, Gothenburg Professor of Material Physics, Chalmers, Gothenburg, Professor of Solid State Physics, Uppsala University

**JOAKIM WESTH**

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

**Other board commitments:**

Chairman of EMA Technology AB, Board member of CGI Group Inc., 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 Rörvik Timber AB  
Board member of Telelogic AB and VKR Holding A/S 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: 1,977

**CATARINA CARLQVIST**

Member of the Board since 2007  
Saab 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 Electronic Defence Systems, Saab AB, Jönköping  
Born 1947  
Upper secondary engineering education  
Shares in Saab: 1,181

**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: 1,408

**JAN KOVACS**

Deputy Board member since 2008  
President of the Local Salaried Employees' Union Unionen at Saab, Linköping  
Born 1960  
Upper secondary technical school  
Shares in Saab: 1,632

**NILS LINDSKOG**

Deputy Board member since 2007.  
Member of the Local Swedish Association of Graduate Engineers at Saab AB, Gothenburg  
Born 1955  
M.S.E.E. from Chalmers University of Technology  
Shares in Saab: 613

**Auditors**

PRICEWATERHOUSECOOPERS AB  
**HÅKAN MALMSTRÖM**  
Authorised Public Accountant,  
Auditor in charge

**ANNA-CLARA AF EKENSTAM**

Authorised Public Accountant

# GROUP MANAGEMENT



**HÅKAN BUSKHE**

President and Chief Executive Officer (CEO)  
Member of the Board of Saab AB since April 2011  
Born 1963, M.Sc., Licentiate of Engineering (Transportation and Logistics)  
Employed 2010  
Shares in Saab: 27,477

**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 E.ON Sverige AB, Senior Vice President E.ON Sverige AB, Chairman of the Board of Directors Green Cargo, CEO Land Operations, Schenker AG, CEO of Schenker North/, CEO Schenker-BTL AB, CEO Stora, CEO Carlsberg and Coca-Cola Distribution AB, Production Director Carlsberg Sverige



**LENNART SINDAHL**

Deputy CEO, Senior Executive Vice President and Head of Business Area Aeronautics  
Born 1956, M.Sc. in Engineering  
Employed 1986  
Shares in Saab: 13,181



**MAGNUS ÖRNBERG**

Executive Vice President and Chief Financial Officer (CFO)  
Born 1965, MBA  
Employed 2012  
Shares in Saab: 2,597



**GÖRGEN JOHANSSON**

Senior Vice President and Head of Business Area Dynamics  
Born 1964, MBA  
Employed 2004  
Shares in Saab: 2,353



**MICAEL JOHANSSON**

Senior Vice President and Head of Business Area Electronic Defence Systems  
Born 1960, B.Sc.  
Employed 1985  
Shares in Saab: 4,254



**GUNILLA FRANSSON**

Senior Vice President and Head of Business Area Security and Defence Solutions  
Born 1960, M.Sc. and Ph.D. (Tec. Lic.)  
Employed 2008  
Shares in Saab: 4,412



**LARS-ERIK WIGE**

Senior Vice President and Head of Business Area Support and Services  
Born 1954  
Employed 2001  
Shares in Saab: 3,194



**ANNIKA BÅREMO**

Senior Vice President and Head of Group Legal Affairs, General Counsel, Secretary of the Board of Directors  
Born 1964, LLB  
Employed 2012  
Shares in Saab: 1,622



**DAN JANGBLAD**

Senior Vice President and Chief Strategy Officer (CSO), Head of Group Strategy  
Born 1958, M.Sc. in Engineering  
Employed 2000  
Shares in Saab: 17,863



**LENA ELIASSON**

Senior Vice President and Head of Group Human Resources  
Born 1967, M.Sc. in Engineering  
Employed 2012  
Shares in Saab: 2,921

Carina Brorman, Senior Vice President and Head of Group Communications was a part of Group Management up to 13 February 2013 when she left her position. Peter Sandhed, Senior Vice President and Head of Group Corporate Investments, left his position in Group Management 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 2013 on pages 122–130 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 this 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, 21 February 2014

PricewaterhouseCoopers AB

**Håkan Malmström**  
Authorised Public Accountant  
Auditor in charge

**Anna-Clara Af Ekenstam**  
Authorised Public Accountant

## INFORMATION TO SHAREHOLDERS

### Annual General Meeting

The Annual General Meeting will be held at 3:00 pm (cet) on Wednesday, 8 April 2014 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 Wednesday, 2 April 2014.

- 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](http://www.saabgroup.com/arsstamma)

Please indicate your name, personal ID number (Swedish citizens), address and telephone number. If you are attending by power of proxy, registration certificate or other authorisation, please submit your documentation well in advance of the meeting. The information you provide will be used only for the Annual General Meeting.

Shareholders or their proxies may be accompanied at the Annual General Meeting by a maximum of two people. They may only attend, however, if the shareholder has notified Saab AB as indicated above.

### Right to participate

Only shareholders recorded in the share register maintained by Euroclear Sweden AB on Wednesday, 2 April 2014 are entitled to participate in the meeting.

Shareholders registered in the names of nominees through the trust department of a bank or a brokerage firm must temporarily re-register their shares in their own names to participate in the meeting. To ensure that this re-registration is recorded in the share register by Wednesday, 2 April 2014, 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 11 April 2014 as the record day for the dividend. With this record day, Euroclear Sweden AB is expected to distribute the dividend on 16 April 2014.

### Distribution of the annual report

The annual report will be available on Saab's website, [www.saabgroup.com](http://www.saabgroup.com), approximately four weeks prior to the Annual General Meeting on 8 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 2013, January and February 2014, 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 2013, comprised of 1,907,123 unlisted Series A shares and 107,243,221 listed Series B shares. Series A shares have ten votes each, while Series B shares have one vote each. The quota value per share is SEK 16. The Series B share is listed on NASDAQ OMX Stockholm's Large Cap list.

Saab's Series A shares are owned by Investor AB.

Saab's market capitalisation was SEK 18.5 billion at year-end 2013. The price of the Series B share increased 28 per cent during the year, to compare with the NASDAQ OMX Stockholm General Index which increased by 25 per cent. The total return on Saab's Series B share – i.e., the dividend plus the change in share price – has been 156 per cent over the last five years.

## Trading volume and statistics

A total of 28,169,862 Series B shares (32,962,432) were traded on NASDAQ OMX Stockholm in 2013, representing approximately 69.5 per cent of Saab's Series B shares. In 2013, approximate trade amounts for Saab's Series B shares were 6 per cent on BATS, 0.1 per cent on Burgundy, 13 per cent on CHI-X and 11.4 per cent on Turquoise. The share price reached a high of SEK 179.5 on 23 December and a low of SEK 115 on 8 August in NASDAQ OMX trading.

## Ownership structure

Saab had 30,352 shareholders (28,833) at year-end 2013. Swedish investors accounted for 76.9 per cent (74.0) of the capital stock and 79.6 per cent (77.5) 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 2013 the Board of Directors proposes a dividend of SEK 4.50 per share (4.50). This would correspond to 65 per cent (30) of net income for 2013.

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

In April 2007 Saab's Annual General Meeting resolved to offer permanent employees the opportunity to participate in a voluntary share matching plan, under which they can purchase Saab Series B

shares 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 free of charge 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 US, Switzerland and Australia. South Africa was included in 2009, Finland in 2010, the Czech Republic in 2011, India in 2012 and Thailand, Holland and Canada in 2013.

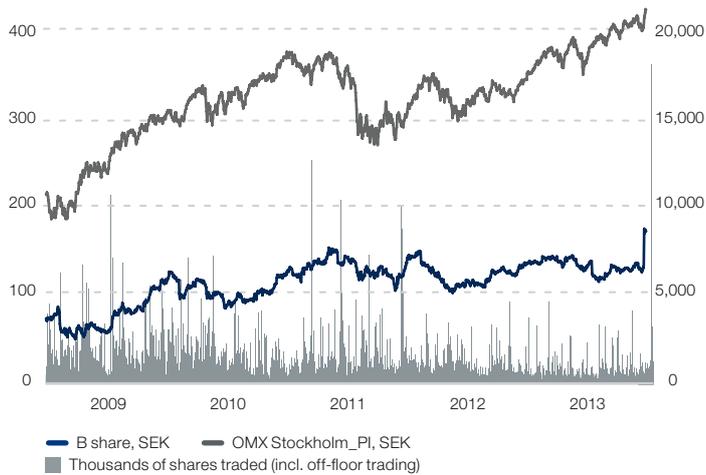
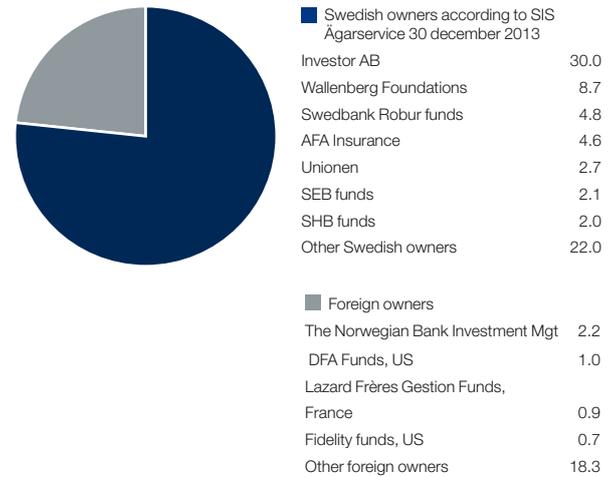
In April 2008 Saab's Annual General Meeting resolved to introduce a performance-based plan for senior executives and key employees entitling them to 2–5 matching shares depending on the category to which the employee belongs. In addition to the requirement that the employee remain employed by Saab after 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. Participants in this programme may allocate a maximum of 7.5 per cent of their fixed salary for the purchase of Saab Series B shares. Each Annual General Meeting during the period 2009–2013 has resolved to renew the share matching plan and performance share plan.

As of 2011 the share matching plan comprises all employees, including senior executives and key persons. The performance share plans for the period 2011–2013, directed to senior executives and key persons, entitle participants to 1–4 matching shares, depending on the category to which the employee belongs.

The Annual General Meeting of 17 April 2013 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 is in effect through the 2014 Annual General Meeting. Repurchases may be effected over the stock exchange or through offerings to shareholders. During 2013 the Board did not elect to utilise its repurchase authorisation; accordingly, no shares were repurchased in 2013.



**Saab B, 1 January 2009–31 December 2013**

**Share of capital, %**

**Data per Share 2008–2013**

	2013	2012	2011	2010	2009	2008
Closing prices <sup>1)</sup>						
at year-end, SEK	172.50	135.10	142.40	123.00	118.00	71.50
high for the year, SEK	179.50	150.30	155.00	128.75	118.00	180.00
low for the year, SEK	115.00	101.00	104.20	84.10	50.50	51.00
Market capitalisation, MSEK <sup>2)</sup>	18,499	14,489	15,543	13,425	12,879	7,804
Average daily turnover, no. of shares <sup>1)</sup>	112,679	131,850	186,060	192,507	234,069	255,782
Yield, %	2.6	3.3	3.2	2.8	1.9	2.4
Price/equity, %	151	128	116	114	118	83
P/E ratio, multiple (after full dilution)	25.4	9.3	7.0	31.0	18.8	-32.2
P/EBIT, multiple (after full dilution)	14.0	7.2	5.3	13.8	9.4	47.0
Sales						
before dilution, SEK	223.8	227.3	223.8	232.2	231.8	221.33
after full dilution, SEK	217.6	220.0	215.3	223.9	225.8	218.01
Net income for the year (attributable to Parent Company's shareholders)						
before dilution, SEK	6.98	15.00	21.19	4.12	6.45	-2.31
after full dilution, SEK	6.79	14.52	20.38	3.97	6.28	-2.31 <sup>3)</sup>
Equity per share, SEK	114.0	105.4	122.94	107.66	99.91	86.49
Cash flow from operating activities						
before dilution, SEK	-6.43	3.31	22.78	42.65	15.95	8.87
after full dilution, SEK	-6.25	3.21	21.91	41.11	15.54	8.74
Dividend (2013 proposal), SEK	4.50	4.50	4.50	3.50	2.25	1.75
Dividend /net income, %	65	30	21	85	35	-
Total dividend, MSEK	479	477	474	367	237	187
Dividend growth, %	0.5	0.6	29	55	27	-
Number of shareholders	30,352	28,833	29,059	31,125	32,555	32,164
Share of foreign ownership, capital, %	23	26	26	27	40	40
Share of foreign ownership, votes, %	20	23	24	24	35	34
Average number of shares before dilution	106,125,107	105,632,911	104,982,315	105,217,786	106,335,553	107,515,049
Number of shares, excluding Treasury shares, at year-end	106,414,144	105,930,829	105,331,958	104,717,729	105,511,124	106,829,893
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 2013 according to SIS Ägarservice	Number of shares	Per cent of share capital	Per cent of votes <sup>1)</sup>
Investor AB, Sweden	32,778,098	30.0	40.4
Wallenberg foundations, Sweden	9,468,700	8.7	7.7
Swedbank Robur Funds, Sweden	5,213,752	4.8	4.2
AFA Insurance, Sweden	5,003,125	4.6	4.0
Unionen, Sweden	2,900,828	2.7	2.3
The Norwegian Bank Investment Management, Norway	2,375,098	2.2	1.9
SEB Funds, Sweden	2,343,546	2.1	1.9
SHB Funds, Sweden	2,157,363	2.0	1.7
Fourth AP-Fund, Sweden	1,595,144	1.5	1.3
Nordea Funds, Sweden	1,538,517	1.4	1.2
DFA Funds, US	1,107,191	1.0	0.9
Lazard Frères Gestion funds, France	970,300	0.9	0.8
Svolder AB, Sweden	950,000	0.9	0.8
Foundation Asset Management, Sweden	926,853	0.8	0.8
SEB Trygg Liv, Sweden	832,560	0.8	0.7
Fidelity Funds, US	756,907	0.7	0.6
RAM One Fund, Sweden	604,463	0.6	0.5
Catella Funds, Sweden	391,774	0.4	0.3
Länsförsäkringar Fund Management, Sweden	372,338	0.3	0.3
AMF Insurance & Funds, Sweden	365,126	0.3	0.3
<b>Subtotal, 20 largest shareholders</b>	<b>72,651,683</b>	<b>66.7</b>	<b>72.6</b>
Other Swedish shareholders	13,702,297	12.5	11.2
Other international shareholders	20,060,164	18.3	16.2
Repurchased shares	2,736,200	2.5	-
<b>Total</b>	<b>109,150,344</b>	<b>100</b>	<b>100</b>

<sup>1)</sup> Per cent of votes is calculated based on the number of shares, excluding Treasury shares, at year-end.

**Analysts who cover Saab**

**ERIK PETTERSSON**, erik.pettersson@abgsc.se  
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**CHRIS HALLAM**, chris.hallam@gs.com  
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**SANDY MORRIS**, sandy.morris@jefferies.com  
JEFFERIES, UK

**MATS LISS**, mats.liss@swedbank.se  
SWEDBANK, STOCKHOLM

**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	25,173	82.9	2,989,094	2.6
501–1,000	2,798	9.2	2,153,393	2.0
1,001–5,000	1,989	6.6	3,595,332	3.3
5,001–10,000	126	0.4	937,887	0.9
10,001–20,000	76	0.3	1,059,997	1.0
20,001–50,000	66	0.2	2,069,146	1.9
50,001–	124	0.4	96,345,495	88.3
<b>Total<sup>1)</sup></b>	<b>30,352</b>	<b>100.0</b>	<b>109,150,344</b>	<b>100.0</b>

<sup>1)</sup> Including 2,736,200 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	15.4
Series B	107,243,221	98.3	104,507,021	84.6
<b>Total<sup>1)</sup></b>	<b>109,150,344</b>	<b>100.0</b>	<b>123,578,251</b>	<b>100.0</b>

<sup>1)</sup> The number of votes excludes 2,736,200 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
<b>2002</b> , Conversion <sup>1)</sup>	50,699 shares	0.8	4.6
<b>2003</b> , Conversion <sup>1)</sup>	7,189 shares	0.1	0.7
<b>2004</b> , Conversion <sup>1)</sup>	2,632,781 shares	42.1	239.6

<sup>1)</sup> 1998 convertible debenture loan

# QUARTERLY INFORMATION

MSEK	January–March				April–June			
	2013	Operating margin	2012	Operating margin	2013	Operating margin	2011	Operating margin
<b>Sales</b>								
Aeronautics	1,765		1 419		1 717		1 704	
Dynamics	877		1 035		971		1 359	
Electronic Defence Systems	1,038		1 181		931		1 108	
Security and Defence Solutions	1,271		1 323		1 503		1 354	
Support and Services	822		779		838		844	
Combitech	410		311		410		361	
Corporate	–		–		–		–	
Internal sales	-321		-475		-484		-498	
<b>Total</b>	<b>5,862</b>		<b>5 573</b>		<b>5 886</b>		<b>6 232</b>	
<b>Operating income</b>								
Aeronautics	116	6.6%	78	5.5%	121	7.0%	84	4.9%
Dynamics	72	8.2%	108	10.4%	115	11.8%	175	12.9%
Electronic Defence Systems	-45	-4.3%	91	7.7%	-80	-8.6%	210	19.0%
Security and Defence Solutions	22	1.7%	60	4.5%	120	8.0%	89	6.6%
Support and Services	88	10.7%	67	8.6%	107	12.8%	94	11.1%
Combitech	44	10.7%	39	12.5%	31	7.6%	21	5.8%
Corporate	99	–	-40	–	-265	–	57	–
<b>Total</b>	<b>396</b>	<b>6.8%</b>	<b>403</b>	<b>7.2%</b>	<b>149</b>	<b>2.5%</b>	<b>730</b>	<b>11.7%</b>
Net financial items	-42		-10		-138		2	
<b>Income before taxes</b>	<b>354</b>		<b>393</b>		<b>11</b>		<b>732</b>	
<b>Net income for the period</b>	<b>262</b>		<b>283</b>		<b>1</b>		<b>558</b>	
<b>Attributable to Parent Company's shareholders</b>	<b>269</b>		<b>297</b>		<b>2</b>		<b>572</b>	
<b>Earnings per share after dilution</b>	<b>2.46</b>		<b>2.72</b>		<b>0.02</b>		<b>5.24</b>	
<b>No. of shares after dilution, thousands</b>	<b>109,150</b>		<b>109,150</b>		<b>109,150</b>		<b>109,150</b>	

MSEK	July–September				October–December			
	2013	Operating margin	2012	Operating margin	2013	Operating margin	2012	Operating margin
<b>Sales</b>								
Aeronautics	1,391		1,275		1,996		1,678	
Dynamics	536		873		1,188		1,512	
Electronic Defence Systems	900		805		1,292		1,182	
Security and Defence Solutions	1,189		1,280		1,928		2,019	
Support and Services	732		697		1,027		1,091	
Combitech	322		299		456		439	
Corporate	–		–		–		–	
Internal sales	-347		-330		-608		-615	
<b>Total</b>	<b>4,723</b>		<b>4,899</b>		<b>7,279</b>		<b>7,306</b>	
<b>Operating income</b>								
Aeronautics	117	8.4%	72	5.6%	102	5.1%	125	7.4%
Dynamics	-46	-8.6%	105	12.0%	183	15.4%	233	15.4%
Electronic Defence Systems	24	2.7%	-78	-9.7%	-100	-7.7%	-106	-9.0%
Security and Defence Solutions	80	6.7%	59	4.6%	206	10.7%	209	10.4%
Support and Services	70	9.6%	34	4.9%	99	9.6%	215	19.7%
Combitech	14	4.3%	18	6.0%	51	11.2%	44	10.0%
Corporate	7	–	52	–	-7	–	-65	–
<b>Total</b>	<b>266</b>	<b>5.6%</b>	<b>262</b>	<b>5.3%</b>	<b>534</b>	<b>7.3%</b>	<b>655</b>	<b>9.0%</b>
Net financial items	-12		-15		-174		-24	
<b>Income before taxes</b>	<b>254</b>		<b>247</b>		<b>360</b>		<b>631</b>	
<b>Net income for the period</b>	<b>192</b>		<b>169</b>		<b>287</b>		<b>550</b>	
<b>Attributable to Parent Company's shareholders</b>	<b>189</b>		<b>167</b>		<b>281</b>		<b>549</b>	
<b>Earnings per share after dilution</b>	<b>1.73</b>		<b>1.53</b>		<b>2.57</b>		<b>5.03</b>	
<b>No. of shares after dilution, thousands</b>	<b>109,150</b>		<b>109,150</b>		<b>109,150</b>		<b>109,150</b>	

# MULTI-YEAR OVERVIEW

MSEK, unless otherwise indicated	2013	2012 <sup>5)</sup>	2011	2010	2009	2008	2007	2006	2005
Order bookings	49,809	20,683	18,907	26,278	18,428	23,212	20,846	27,575	17,512
Order backlog at year-end	59,870	34,151	37,172	41,459	39,389	45,324	47,316	50,445	42,198
Sales	23,750	24,010	23,498	24,434	24,647	23,796	23,021	21,063	19,314
Foreign market sales, %	59	64	63	62	69	68	65	65	56
Defence sales, %	81	82	84	83	83	83	81	79	82
Operating income (EBIT)	1,345	2,050	2,941	975	1,374	166	2,607	1,745	1,652
Operating margin, %	5.7	8.5	12.5	4.0	5.6	0.7	11.3	8.3	8.6
Operating income before depreciation/ amortisation and write-downs (EBITDA)	2,367	3,186	4,088	2,187	2,598	1,515	3,685	2,519	2,182
EBITDA margin, %	10.0	13.3	17.4	9.0	10.5	6.4	16.0	12.0	11.3
Income after financial items	979	2,003	2,783	776	976	-406	2,449	1,693	1,551
Net income for the year	742	1,560	2,217	454	699	-242	1,941	1,347	1,199
Net income attributable to Parent Company's shareholders	741	1,585	2,225	433	686	-248	1,921	1,300	1,189
Total assets	27,905	28,938	31,799	29,278	30,430	32,890	33,801	32,771	30,594
of which advance payments, net	828	553	1,022	643	442	897	2,558	3,642	3,528
of which total equity	12,227	11,280	13,069	11,444	10,682	9,330	11,008	10,025	9,493
of which equity attributable to Parent Company's shareholders	12,136	11,168	12,950	11,274	10,542	9,240	10,981	9,802	9,179
equity per share, SEK <sup>1)</sup>	114.04	105.43	122.94	107.66	99.91	86.49	101.53	89.80	84.10
Net liquidity/Net debt excluding interest-bearing receivables and after deduction of provisions for pensions	2,057	3,837	4,735	2,382	-1,631	-3,061	-2,802	-261	5,144
Net liquidity/ debt	1,013	1,996	5,333	3,291	-634	-1,693	-1,627	605	2,856
Cash flow from operating activities	-682	350	2,392	4,487	1,696	954	-1,304	969	2,541
Operating cash flow	-1,480	-396	2,477	4,349	1,447	659	-1,603	-1,900	2,645
Average capital employed	15,401	15,131	13,987	13,743	13,775	13,994	13,430	12,789	12,925
Return on capital employed, %	9.1	14.6	22.2	7.9	10.3	1.4	19.4	14.5	14.6
Return on equity, %	6.3	12.8	18.1	4.1	7.0	-2.4	18.5	13.8	13.5
Profit margin, %	5.92	9.18	13.21	4.47	5.78	0.82	11.40	8.83	9.73
Capital turnover rate, multiple	1.54	1.59	1.68	1.78	1.79	1.70	1.71	1.65	1.49
Equity/assets ratio, %	43.8	39.0	41.1	39.1	35.1	28.4	32.6	30.6	31.0
Interest coverage ratio, multiple	3.29	10.91	9.58	3.20	3.16	0.35	21.40	13.47	6.08
Earnings per share before dilution, SEK <sup>2)</sup>	6.98	15.00	21.19	4.12	6.45	-2.31	17.68	11.91	10.89
Earnings per share after dilution, SEK <sup>3)</sup>	6.79	14.52	20.38	3.97	6.28	-2.31	17.60	11.91	10.89
Dividend, SEK	4.50 <sup>4)</sup>	4.50	4.50	3.50	2.25	1.75	4.50	4.25	4.00
Gross capital expenditures for tangible fixed assets	543	328	325	262	197	386	395	433	296
Research and development costs	6,543	5,946	5,116	5,008	4,820	4,141	4,523	3,537	3,546
Number of employees at year-end	14,140	13,968	13,068	12,536	13,159	13,294	13,757	13,577	12,830

1) Number of shares, excluding treasury shares, as of 31 December 2013: 106,414,144, 2012: 105,930,829, 2011: 105,331,958, 2010: 104,717,729, 2009: 105,511,124, 2008: 106,829,893, 2007: 108,150,344 och 2006/2005: 109,150,344.

2) Average number of shares 2013: 106,125,107, 2012: 105,632,911, 2011: 104,982,315, 2010: 105,217,786, 2009: 106,335,553, 2008: 107,515,049, 2007: 108,668,700 and 2006/2005: 109,150,344.

3) Average number of shares 2013/2012/2011/2010/2009: 109,150,344, 2008: 107,515,049 and 2007/2006/2005: 109,150,344.  
Conversion of debenture loan concluded 15 July 2004.

4) 2013 Board of Directors' proposal.

5) Figures presented for 2012 are restated according to the changed accounting principles for pensions (IAS 19). Financials for 2011 and earlier are not restated.

# GLOSSARY

<b>ACARE</b>	Advisory Council for Aeronautic Research in Europe	<b>IRIS-T</b>	Infra Red Imaging System – Tail/Thrust Vector-Controlled
<b>AESA</b>	Active Electronically Scanned Array	<b>ISP</b>	Inspektionen för Strategiska Produkter (Swedish Agency for Non-Proliferation and Export Controls)
<b>AEW&amp;C</b>	Airborne Early Warning & Control	<b>ISR</b>	Intelligence, Surveillance and Reconnaissance
<b>AGM</b>	Annual General Meeting	<b>JDA</b>	Joint Development Agreement
<b>AMB</b>	Agile Multi-Beam	<b>LEDS</b>	Land Electronic Defense System
<b>ANSP</b>	Air Navigation Service Provider	<b>LFV</b>	Luftfartsverket (The Air Navigation Service Provider for Sweden)
<b>ASW</b>	Anti Submarine Warfare	<b>MAW</b>	Missile Approach Warners
<b>AT4</b>	Anti-Tank weapon	<b>MCS</b>	Mobile Camouflage System
<b>ATM</b>	Air Traffic Management	<b>MNM</b>	Market Network Management
<b>ATT</b>	Arms Trade Treaty	<b>MSA</b>	Maritime Surveillance Aircraft
<b>BMI</b>	British Midland	<b>NASA</b>	National Aeronautics and Space Administration
<b>BOL</b>	High capacity counter measure dispenser for chaff or flares	<b>NATO</b>	North Atlantic Treaty Organization
<b>C4I</b>	Command, Control, Communications, Computers and Intelligence	<b>NLAW</b>	Next Generation Light Anti-tank Weapon
<b>C4ISR</b>	Command, Control, Communications, Computers, Intelligence and Surveillance and Reconnaissance	<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>CBRN</b>	Chemical, Biological, Radiological, Nuclear agents	<b>PRI</b>	PRI Pensionsgaranti
<b>CDP</b>	Carbon Disclosure Project	<b>R&amp;D</b>	Research and Development
<b>CISB</b>	Swedish-Brazilian Centre for Research and Innovation	<b>RBS</b>	Robotsystem (Missile System)
<b>DSEI</b>	Defence and Security Equipment International	<b>SAL</b>	Saab Aircraft Leasing
<b>EU</b>	European Union	<b>SOTACS</b>	Special Operations Tactical Suit
<b>FMV</b>	Försvarets Materielverk (Swedish Defence and Materiel Administration)	<b>SRSAM</b>	Short Range Surface to Air Missile
<b>FOI</b>	Totalförsvarets Forskningsinstitut (Swedish Defence Research Agency)	<b>TPA</b>	Technical Partnership Agreement
<b>FPG</b>	Försäkringsbolaget Pensionsgaranti (Insurance company)	<b>UAS</b>	Unmanned Aerial Systems
<b>ICT</b>	Information and Communications Technology	<b>UAV</b>	Unmanned Aerial Vehicle
<b>IDAS</b>	Integrated self-defence for airborne platforms	<b>ULCAS</b>	Ultra-Lightweight Camouflage Screen
<b>IFBEC</b>	International Forum on Business Ethical Conduct	<b>UN</b>	United Nations
<b>IHS</b>	Information Handling Services Inc. (A global supplier of technical information)	<b>VSHORAD</b>	Very Short Range Air Defence
		<b>VTMIS</b>	Vessel Traffic Management Information System

## Financial Information 2014

Annual General Meeting 2014	8 April
Interim Report January–March 2014	25 April
Interim Report January–June 2014	18 July
Interim Report January–September 2014	23 October

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