

Corporate governance report

Introduction

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

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

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

Swedish Code of Corporate Governance

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

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

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

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

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

① Shareholders' meeting and ownership structure

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

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

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

Largest shareholders, 31 December 2017

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

② Nomination Committee

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

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

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

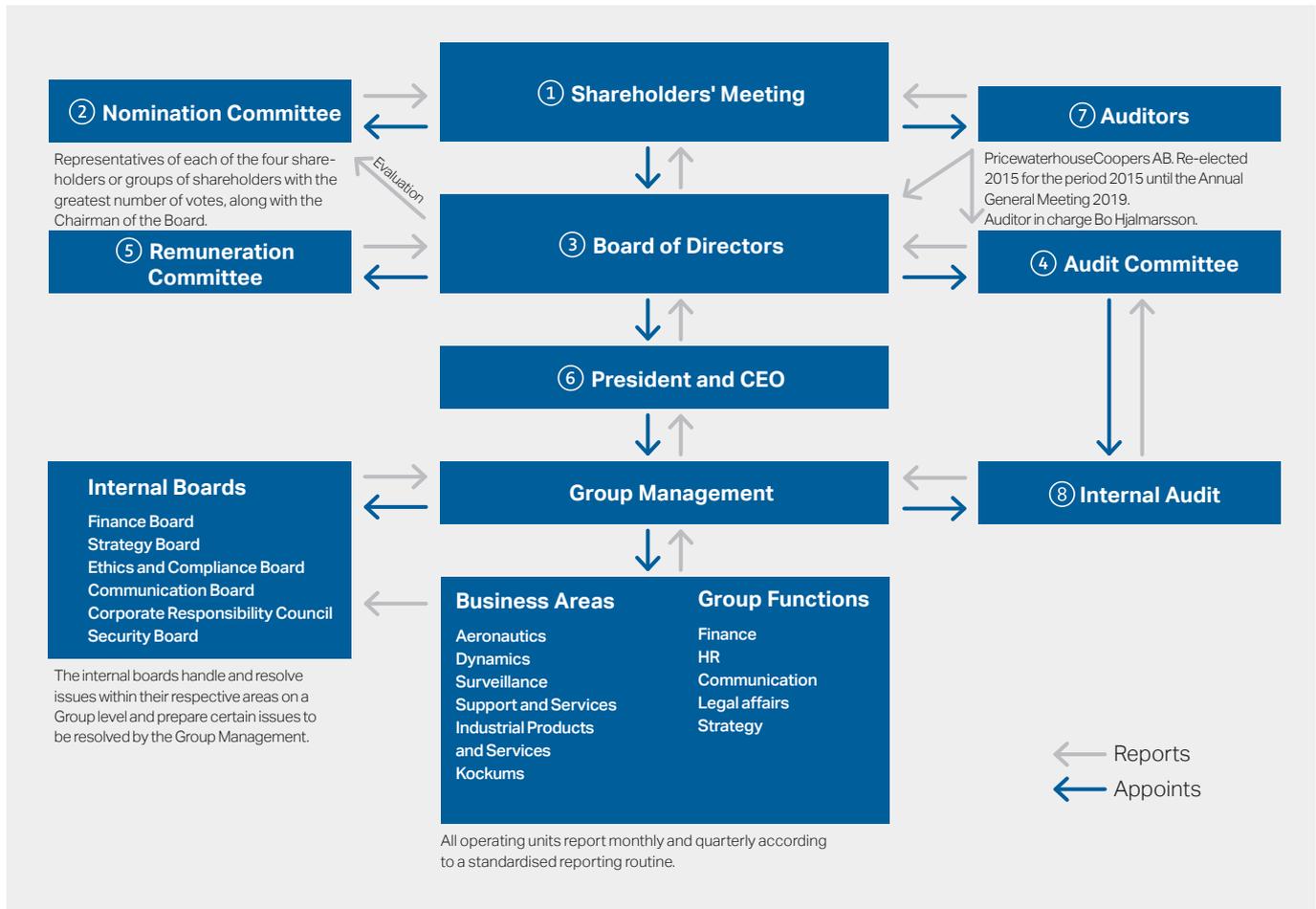
Ahead of the Annual General Meeting on 5 April 2017, the Nomination Committee issued a proposal for resolution on the Chairman of the Shareholders' Meeting, the Board of Directors and the remuneration to the Board and auditor. The Nomination Committee announced that it had applied rule 4.1 of the Code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

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

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

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

Governance and reporting 2017



Members of the Nomination Committee for the Annual General Meeting 2018

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

③ Board of Directors

Composition of the Board

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

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

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

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

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

Members of the Board elected by the Shareholders' Meeting

Regulars

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

Employee representatives

Regulars

Stefan Andersson
Göran Gustavsson
Nils Lindskog

Deputies

Conny Holm
Magnus Gustafsson
Tina Mikkelsen

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

Independence requirement

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

Composition and independence of the Board in 2017

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

¹⁾ Member of Investor AB's Board.

²⁾ President and CEO of Saab.

³⁾ Employed by Investor AB.

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

Work of the Board

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

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

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

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

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

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

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

Board of Directors' committee work

4 Audit Committee

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

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

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

5 Remuneration Committee

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

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

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

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

Evaluation

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

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

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

6 Chief Executive Officer

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

Guidelines for remuneration and other benefits for senior executives

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

Attendance and board remuneration in 2017

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

¹⁾ Of a total of 9 meetings in 2017.

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

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

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

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

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

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

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

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

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

7 Auditor

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

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

PricewaterhouseCoopers (PwC)

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

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

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

Audit fees 2016–2017

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

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

Auditors' fees for the Group 2016–2017

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

For further information see note 11.

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

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

Financial reporting

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

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

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

Internal control of financial reporting

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

Control environment

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

Risk assessment

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

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

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

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

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

Information, communication and control activities

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

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

Monitoring and evaluation

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

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

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

Activities in 2017

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

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

Board of Directors



Standing from left:

Erika Söderberg Johnson

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

Other board commitments

Board member of Qliro Group AB

Former employment and positions:

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

Nils Lindskog

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

Stefan Andersson

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

Cecilia Stegö Chiló

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

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

Other board commitments:

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

Former employment and positions:

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

Magnus Gustafsson

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

Conny Holm

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

Bert Nordberg

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

Other board commitments:

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

Former employment and positions:

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

Marcus Wallenberg

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

Other board commitments:

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

Former employment and positions:

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

Göran Gustavsson

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

Danica Kragic Jensfelt

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

Other board commitments:

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



Member of Administrative committee, IEEE Robotics and Automation Society

Former employment and positions

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

Håkan Buskhe

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

Other board commitments:

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

Former employment and positions:

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

Sara Mazur

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

Other board commitments:

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

Former employment and positions:

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

Daniel Nodhäll

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

Other board commitments:

Board member of Husqvarna AB

Former employment and positions

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

Joakim Westh

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

Other board commitments:

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

Former employment and positions:

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

Sten Jakobsson

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

Other board commitments:

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

Former employment and positions:

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

Tina Mikkelsen

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

Auditors

PricewaterhouseCoopers AB

Bo Hjalmarsson

Authorised Public Accountant, auditor in charge

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

Group management



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

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

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

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

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

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



Lena Eliasson

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

Håkan Buskhe

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

Sebastian Carlsson

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

Micael Johansson

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

Anders Carp

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

Jonas Hjelm

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

Annika Bärems

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

The following changes in Group Management took effect during 2017:

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

Auditor's report

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

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Saab AB (publ) for the year 2017 except for the corporate governance statement on pages 58 to 67. The annual accounts and consolidated accounts of the company are included on pages 45 to 129 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 58 to 67. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the income statement and statement of financial position for the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

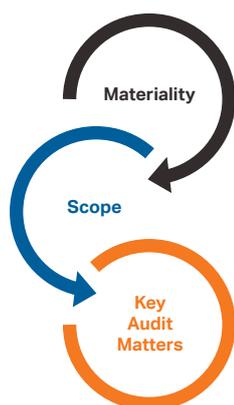
Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Overview



- We have used an overall materiality of SEK 100 million in our audit representing approximately five percent of operating profit.
- In our audit we have focused on the operations in the parent company Saab AB and the subsidiaries Saab Dynamics AB and Saab Kockums AB. In addition units in Australia, South Africa, USA and the Netherlands has been subject to review procedures.
- A significant part of Saab's reported revenue derive from long term contracts where management's estimates and assumptions are critical for recognition of revenue as well as cost of goods sold. In addition to the income items, several balance sheet items are affected by the assumptions and judgments made related to the long term contracts. A significant part of our audit is focused on the review of large projects. From 2018 Saab will recognize revenue according to IFRS 15, revenue from contracts with customers. For Saab it is, as stated in note 46, essential to assess that the criteria for recognizing revenue over time are fulfilled. We have thus during the year reviewed Saab's project for implementation of IFRS 15.

A significant part of Saab's revenue and result is derived from long term customer contracts including substantial development and customization for specific customers, which are associated with technical and commercial risks. Revenue and income is in many projects recognised using percentage of completion, which as such are based on management's estimates and measurement of percentage

of completion, estimated profit margin as well as total costs and risks.

This requires a high level of project control and monitoring to be able to, at any given time confirm the assumptions and estimates for project cost and revenue to give a satisfying base for recognizing revenue and income. In many cases the customer contracts have a significant element of integration

with the customer and sub-contractors why the financial outcome is not only dependent on Saab's own activities but other parties as well.

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls and the specific circumstances in larger customer projects.

A significant part of the Saab Group's operation is carried out in the parent company Saab AB. In addition substantial parts of the operation is carried out in the subsidiaries Saab Dynamics AB and Saab Kockums AB in Sweden. These units are included in the audit of the group. Foreign operations of some importance for the financial reporting is carried out in Australia, South Africa, USA and the Netherlands.

In these entities our audit is focused on project oriented parts of the financial reporting.

Beside the audit of the consolidated accounts and the annual report we perform limited reviews of Saab's interim reports for the first, second and third quarter. These quarterly procedures help us to continuously understand changes in conditions, especially for long term contracts, affecting the financial reporting.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Group Materiality	SEK 100 million
How we determined it	Five percent of operating profit
Rational for the materiality benchmark applied	We chose operating profit as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose five percent which in auditing standards is a generally accepted benchmark.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual

accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. A considerable part of the operations in the Saab Group is carried out in the parent company, Saab AB. The key audit matters described below is applicable for both the group and the parent company.

Long term customer contracts

Revenue and income is in many projects recognised using percentage of completion, which as such are based on management's estimates and measurement of percentage of completion, estimated profit margin as well as total costs and risks. If a project is expected to be in a loss position, the loss is recognised as soon as it can be determined.

Percentage of completion and the income recognised can be based on cost incurred, milestones reached or units delivered.

The financial reporting risk in the financial reporting is that revenue and income recognised, not correctly reflect Saab's stage of completion in the long term customer contracts and that the risks in the contracts deviate from actual outcome, which can result in revenue being recognised at wrong margin. This in turn might lead to cut off errors in revenue and cost.

Accounting for long term customer contracts also, besides revenue and cost of goods sold, affect balance sheet items such as receivables from customers, inventory and provision for loss contracts.

In the annual report risk related to long term contracts are described on page 55 to 56 and in the notes to the financial statements (note 2 and 5) the accounting principles are described in more detail.

From 2018 Saab will recognise revenue according to IFRS 15, revenue from contracts with customers. For companies that recognize revenue based on percentage of completion, IFRS 15 requires more explicit criteria to be fulfilled when revenue is recognised over time. Since Saab currently recognising revenue according to percentage of completion it is essential to assess whether the criteria to recognise revenue over time are fulfilled.

Saab has over the last years carried out a project to implement IFRS 15. In the project important criteria for the implementation of IFRS 15. The project has been extensive and have included a significant number of contracts with customers.

As stated in note 46, the change of accounting policy will affect Saab's financial reporting.

Saab has implemented processes, methods and controls to account for and monitor the long term customer contracts from tender, through execution and completion. These processes include among other project organisation, documentation, financial reviews and reporting as well as guidance on application of the accounting principles. This is further described in the annual report on page 55 to 56.

In our audit we have evaluated the design of these processes, methods and controls and tested on a sample basis that they work as designed. In this testing we have focused on the following:

- Test of monitoring controls on business area, business unit of where applicable on product level.
- Test of transaction controls for accounting for cost incurred related to long term customer contracts for procurement to projects.
- Test that project reviews and documentation has been approved according to methods applied within Saab.

We have further selected a sample of long term customer contracts for substantive testing. Our sample is based on quantitative and qualitative factors where we have selected long term contracts that are material from contract value, revenue recognised or risk in residual cost to complete.

For the selected contracts we have in detail obtained an understanding for the project though, among other procedures, review of contract clauses, project plans, analysis of stage of completion and contract forecasts. Each quarter we review the projects together with the project leader, the project controller or similar. In these reviews we perform the following procedures focusing on whether significant risks are reasonably accounted for:

- We inspect management's assessment of the project execution and how this affect the financial reporting. This includes total contract value, level of completion, method for recognising stage of completion, cost incurred and estimated remaining cost.
- We reconcile management's assessment to underlying documentation and compare this with previous quarters.
- We reconcile financial information between reports and systems and recalculate calculations.

In these reviews we use our knowledge about Saab and how similar long term contracts have been treated to discuss and ask questions and challenge management's estimates and judgements. We also assess consistent application of accounting principles between contracts with similar circumstances. In this we also test items reported as work in progress. We test them from both quantitative and qualitative aspects and assess whether they are accounted for under Saab's accounting policies.

This year Gripen E Sweden, Gripen NG Brazil and Air born surveillance United Arab Emirates have been of specific interest in our audit:

For specific contracts we have from time to time observations related to both amounts and judgement that we report to management and the audit committee. The projects complexity and judgements involved mean that the amounts recognized by nature is affected by uncertainty where future outcome can deviate significantly from management's judgments.

As part of our audit of long term contracts during the year we have also considered the impact of the implementation of IFRS 15. We have followed Saab's project for assessing criteria according to IFRS 15. In our procedures we tested all large contracts and a sample of smaller contracts. We have also assessed the financial reporting impact caused by the change in accounting policy.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-44 and 136-140. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence

obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Saab AB (publ) for the year 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled

our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed

appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 58-67 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

PricewaterhouseCoopers AB, Stockholm, was appointed auditor of Saab AB (publ)'s by the general meeting of the shareholders on the 15 April 2015 and has been the company's auditor since the 7 April 2011.

Stockholm 2 March 2018

PricewaterhouseCoopers AB

Bo Hjalmarsson
Authorized public accountant