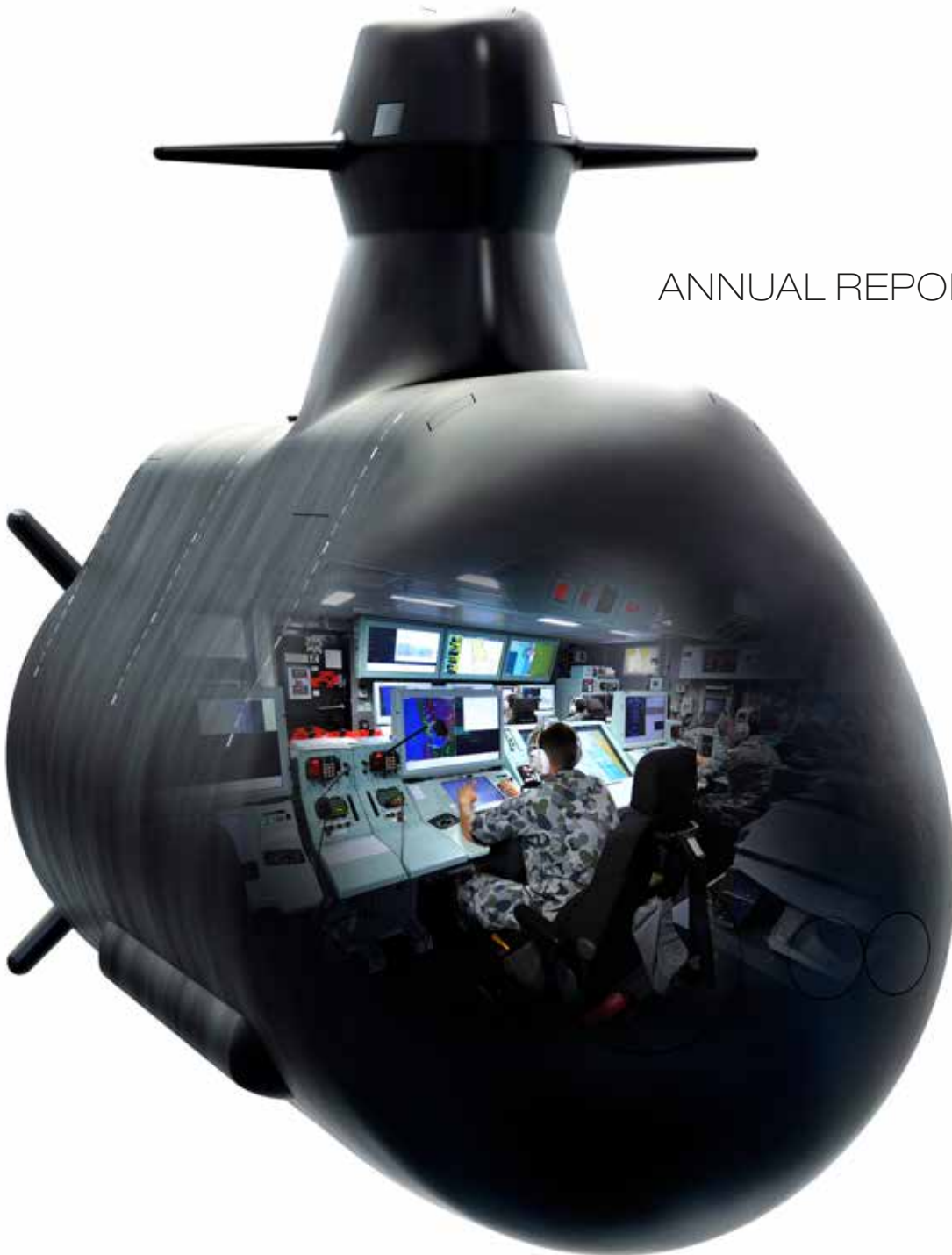




SAAB



ANNUAL REPORT **2015**



VISION

It is a human right to feel safe.

MISSION

To make people safe by pushing intellectual and technological boundaries.

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

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



CALENDAR

Annual General Meeting	14 April 2016
Interim Report January – March	21 April 2016
Interim Report January – June	21 July 2016
Interim Report January – September	25 October 2016
Year-end report January – December	15 February 2017

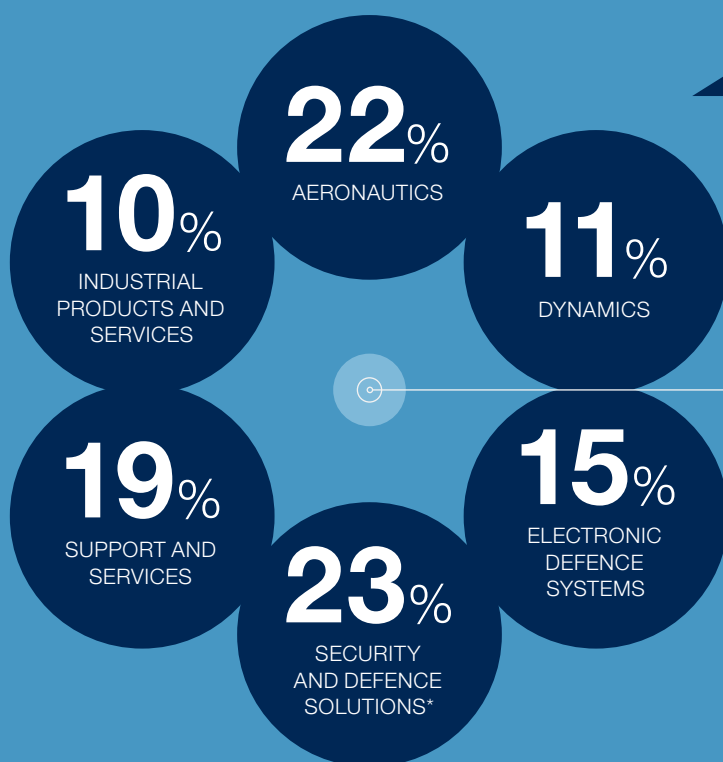
The formal annual report comprises the pages 34–114. Certain figures have been rounded off, due to which tables and calculations do not always exactly add up. The Annual Report is published in Swedish and English. In the event of differences between the English translation and the Swedish original, the Swedish Annual Report shall prevail. A printed copy of the annual report can be ordered from servicecenter@servistik.se.

CONTENTS

Saab in brief	
Saab 2015	1
Chairman's statement	2
CEO comment	4
Market	6
Strategy	12
Goals	30
The Saab share	32
Administration report	34
Business areas	36
Risks and risk management	44
Corporate governance report	48
Board of Directors and Auditors	54
Group Management	56
Financial statements and notes	60
Dividend motivation	113
Proposed disposition of earnings	114
Audit report	115
Shareholder information	117
Multi-year overview	118
Glossary	119

ABOUT SAAB

Saab supplies the global market with world-leading products, services and solutions for military defence and civil security. Saab has operations and customers on every continent.



For more information on Saab's business areas, see pages 36-41.

ORGANISATION

Saab's operating and management structure is divided into business areas based on products and technologies. The figure to the left shows the business areas' share of Saab's total sales in 2015.

* The Security and Defence Solutions business area was dissolved as of 1 January 2016 for more information, see page 35.

FIVE CORE AREAS



Aeronautics

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



Advanced weapon systems

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



Command and control systems

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



Sensors

Airborne surveillance systems, air defence, surveillance and surface-based air defence.



Underwater systems

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

For more information on Saab's strategy, see pages 12-29.

STRATEGY

- **Profitable growth:** Effective project execution, focused marketing investments and winning new orders.
- **Performance:** Efficient, functional processes, strong leadership, global research and development.
- **Portfolio:** Focus on core areas, market-driven renewal, international focus and sustainable innovations.
- **People:** Talent recruitment, skills development, increased diversity and performance-driven culture.

Geographical distribution of Saab's sales 2015



ON LOCATION CLOSE TO CUSTOMERS

Saab has a strong local presence in a number of key markets. They are divided into five market areas: Nordic & Baltic, Europe, Middle East & Africa, North America, Latin America and Asia Pacific.



SAAB 2015

Saab reported strong growth and stable profitability in 2015. In addition, the company won a number of major orders for Gripen, A26 and GlobalEye. The focus now is on project execution and delivery.

SELF-PROTECTION SYSTEM FOR INDIAN AIR FORCE'S HELICOPTER

Saab received follow-on orders for an integrated electronic warfare self-protection system for installation on the Indian Army's and Air Force's Advanced Light Helicopter Dhruv.

SUBMARINE A26 TO SWEDEN

In June, the Swedish Navy ordered the Type A26, the world's most modern submarine. Deliveries will start in 2022 and be finalised in 2024. The A26 will be a unique, high-tech submarine with a proven modular design, which gives the platform a high level of availability at a low life-cycle cost.

UK ORDERED GIRAFFE RADAR SYSTEM

The UK Ministry of Defence has ordered additional Giraffe AMB radar systems plus upgrades of existing British Giraffe systems and associated equipment.

GRIPEN ORDER FROM BRAZIL

In September, Saab received an order for the development and production of 36 Gripen NG aircraft for the Brazilian Air Force. In December, the contract with Brazil for operational capabilities for Gripen also went into effect.

SUPPORT AGREEMENT FOR SK60 TRAINER AIRCRAFT

The Swedish Defence Materiel Administration (FMV) and Saab extended the support and maintenance agreement for the SK60 trainer aircraft. This means that Saab will remain the principal supplier responsible for all required flight operations, maintenance and provision of stand-by capacity for all SK60 aircraft used by the Swedish Armed Forces.

AIRBORNE SURVEILLANCE SYSTEM

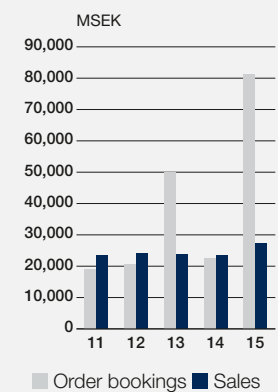
In November, it was announced that the United Arab Emirates has ordered the Saab's new airborne surveillance system, GlobalEye, to expand and enhance its airborne surveillance capabilities. GlobalEye combines Saab's entirely new radar system Erieye ER (Extended Range) with Bombardier's advanced jet Global 6000.

DIVIDEND

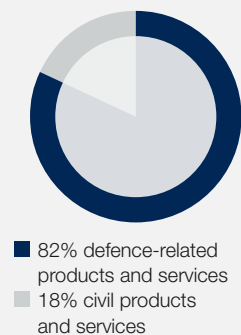
For 2015 the Board of Directors is proposing that the Annual General Meeting approve a dividend to shareholders of SEK 5.00 (4.75) per share, corresponding to 39 per cent (43) of net income.



Order bookings and sales



Share of sales



Financial highlights (MSEK)

	2015	2014	2013
Order backlog at year-end	113,834	60,128	59,870
Sales	27,186	23,527	23,750
Operating income (EBIT)	1,900	1,659	1,345
Operating margin (EBIT), %	7.0	7.1	5.7
Net income	1,402	1,168	742
Earnings per share after dilution, SEK	12.79	10.78	6.79
Free cash flow	-726	-1,094	-1,460
Dividend per share, SEK	5.00*	4.75	4.50
Equity/assets ratio, %	36.8	38.5	44.0
Internally funded R&D, share of sales, %	6.5	5.7	5.6
Number of employees at year-end	14,685	14,716	14,140

* Board of Directors' Proposal 2015.

Organic sales growth

11%

Goal:

5 per cent per year over a business cycle

Operating margin

7%

Goal:

At least 10 per cent per year over a business cycle

Equity/assets ratio

37%

Goal:

Exceeding 30 per cent

CHAIRMAN'S STATEMENT

2015 – A SUCCESSFUL YEAR FOR SAAB

My fellow shareholders and others with an interest in Saab, 2015 was a successful year. The company won several important orders, including for the Type A26 submarine to Sweden, the Gripen combat aircraft to Brazil and a new airborne surveillance system to the United Arab Emirates. These successes, combined with the hard work that was done during the year, give the company a strong foundation to further build upon.

The security situation in our part of the world deteriorated in 2015 and uncertainty increased. Hundreds of thousands of people were forced to flee their homes to neighbouring countries and to Europe. Terrorism remained a real and serious threat in many parts of the world, including Europe. At the same time, we feel a sense of gratitude as many people and governments joined together to help those in need.

The geopolitical turmoil naturally has to be addressed in different ways. It has clearly placed the focus on security needs and each nation's right to defend itself. Many countries are now strengthening their national defences and evaluating opportunities to cooperate across borders. In the Nordic region, we have seen how countries have become more closely aligned on defence policy, at the same time that France and the UK have announced their intention to raise defence spending in coming years.

This is happening while parts of the world are still recovering after the financial crisis in 2008 and 2009. Economic resources are limited. One of Saab's competitive advantages is the ability to develop and deliver products that stand apart just as much for their cost efficiency as their exceptional functionality and innovative technology. This strength is growing in importance to existing and potential partners.

R&D INVESTMENTS ARE ACHIEVING SUCCESS

Saab invests heavily in research in order to develop world-leading technologies. Despite the company's relatively small size, it can offer a broad and competitive product portfolio thanks to smart thinking, international collaborations and the courage to try new things. Innovation is part of Saab's DNA, and the materials and methods thought of as "rocket science" a decade ago are now in production. Saab's research on the material graphene – the thinnest, strongest and most conductive material ever created – is an excellent example. Saab has also contributed to a joint research centre (TTC) at Örebro University focused on 3D printing and 3D X-ray.

Another important aspect of Saab's R&D collaborations is creating environmentally sustainable solutions.



One example is the Clean Sky Smart Fixed Wing Aircraft (SFWA). In another technologically advanced project that Saab has participated in since 2008, a team of design engineers, designers, composite engineers and aerodynamics engineers have developed a new way to design and manufacture aircraft wings in carbon fibre reinforced composites. The fixed wing, which was delivered in 2015, greatly reduces fuel consumption, and with it environmental impacts.

FOCUS ON BROAD-BASED PARTNERSHIPS

In 2015, Saab received a ground-breaking order from Brazil for 36 Gripen. Part of the agreement involves technology and knowledge transfers. Around 350 Brazilian engineers will work at Saab during the project. The programme will contribute to the development of an independent, advanced defence industry in Brazil. I am convinced that this important programme will serve as a platform for new business and contribute to growth in both Brazilian and Swedish industry.

Saab's mission is to make people safe by pushing intellectual and technological boundaries.



The ability to build long-term industrial partnerships contributes to product development, but also gives Saab new knowledge and experience that can be of great value to future business. Working closely with customers and local businesses has become a success factor for Saab. Knowledge grows when it is shared and developed. By sharing our technological developments and production methods, Saab helps other countries and companies to grow and develop. It also makes us better over time. This is a strength we want to build on.

EFFICIENT CUSTOMER DELIVERIES

At year-end, the order backlog amounted to about SEK 114 billion, three times higher than three years ago. In 2015, Saab reached sales growth of 16 per cent. This is a result of a patient focus on product renewal, coupled with intensive marketing and sales.

The major orders at the same time represent a great commitment to our customers. A growing presence in selected local markets, an intensified focus on higher efficiency, and openness and transparency are the keys to ensuring that we continue to grow and successfully deliver on our orders.

SAAB AS DEFENCE SUPPLIER

One of the fundamental principles of the UN Charter is of the sovereign equality of all its members and the right to respond to acts of aggression. For those of us who work in the defence industry, it is critical to ensure that we follow the rules on the export of defence products. We want our customers and partners to see us as a reliable, long-term business partner that wants an open and transparent market. Saab has absolutely zero tolerance for all forms of corruption.

In 2015, a parliamentary committee in Sweden presented a proposal to toughen export controls for non-democratic countries. The report recommended that future decisions be based on a case-to-case analysis in which several criteria are balanced against each other and that defence and security criteria that favour an export permit

continue to carry the heaviest weight. In recent years, Saab has also pointed to the need for international harmonisation of export laws, so that they have the greatest impact and ensure competitive neutrality. It is against this backdrop that we got involved in the drafting of the UN Arms Trade Treaty to regulate the global arms trade.

For nearly 80 years, Saab's products and solutions have helped to maintain security and promote safety, democracy and development. This is an important task in a turbulent world. Saab's mission is to make people safe by pushing intellectual and technological boundaries. I want to thank Saab's CEO, Group Management and all 15,000 employees who helped in 2015 to develop Saab into a company that stands strong as it looks ahead.

Stockholm in February 2016

Marcus Wallenberg
Chairman

STRONG POSITION FOR CONTINUED GROWTH

2015 was a challenging year for Saab. We now have a more attractive portfolio and are working even more closely with customers, which has resulted in a record-high order backlog.

Saab is strongly positioned for further growth. We have become more competitive in the last year and interest in our products continues to grow. At the same time, the defence and security market is rapidly changing. It is an uncertain world and customer demands are changing. It is more important than ever to understand these needs, respond to them with shorter lead times and continuously develop technologies for smarter solutions. I am proud that Saab is a success in times like these.

The defence market continues to be strongly impacted by exceptional political events and global economic conditions. War and conflicts, millions of people fleeing their homes, and brutal acts of terrorism affect and outrage so many of us. With our products and services, we can contribute to a safer and more secure world.

MAJOR ORDERS

In late June, we received an order for two new Type A26 submarines to Sweden. Production is underway and international interest is growing. Few other defence companies in the world develop and manufacture both submarines and combat aircraft. Underwater capability is one of Sweden's national security interests, and we take our job of helping the country to maintain and develop this capability with the utmost seriousness.

Brazil's order for 36 Gripen came in September. The contract was a true game changer for Saab. It reaffirms that Gripen is the most capable and

modern combat aircraft system on the market. It also consolidates Saab's position as a world-leading combat aircraft manufacturer and it strengthens our opportunities for growth. It is not only the biggest export order in Saab's history, but also the start of a unique collaboration between companies and institutions in Sweden and Brazil, which will affect Sweden for decades to come.

In November, we received a contract from the United Arab Emirates for a new airborne surveillance system with a new platform, Bombardier's Global 6000. The airborne system is a result of many years of research and Saab's unique ability to build on proven systems with new technology. The order had a big positive effect on the business areas Electronic Defence Systems and Support and Services in the fourth quarter, since we were able to recognise in income the preparatory work we had already done when the contract was signed.

In partnership with Boeing, we continue to work on the strategically important T-X program. Both of our companies are strongly focused on innovation, are globally competitive and are constantly at the forefront of technology. Together, we are developing the trainer aircraft system of the future.

At year-end, Saab's order backlog amounted to about SEK 114 billion, more than four times annual sales. Sales rose by 16 per cent to about SEK 27 billion. All business areas increased their sales in 2015.

Operating income amounted to SEK 1.9 billion, with an operating margin of 7.0 per cent.

The operational cash flow amounted to MSEK -500 for the full year and MSEK 653 for the fourth quarter. At the beginning of 2016, liquidity is strengthened by significant advance and milestone payments. This will lead to a strengthened balance sheet and that the net debt moves towards zero, depending on activity level, during the first quarter 2016.

EFFECTIVE BUSINESS

In an uncertain world, high efficiency and shorter lead times are essential in order to meet customers' requirements and increase profitability. We have to be able to deliver more for less. This is why we are continuously working to improve efficiencies. After a number of important development projects and measures to increase efficiency, including a reorganisation that took effect at the start of the year, the focus is now on effectively implementing the major



Saab continues to invest in smart technology. It has always been Saab's strength to stay a step ahead and keep our sights set on the horizon.



deliveries that lie ahead. That is how to build a strong position for the future.

Saab continues to invest in smart technology. It has always been Saab's strength to stay a step ahead and keep our sights set on the horizon. An application that makes a product a little faster, a method that makes it more cost efficient or a new material that increases its capacity. There is always something that can be improved. Development is often done in close collaboration with our customers. Recent years have produced several new products or new versions of previous success stories, and in 2015 more new products reached the market, including the GlobalEye airborne radar and sensor system.

SUSTAINABLE BUSINESS

Our business is built on trust. Not only between us and our customers but also in relationships with our partners, fellow citizens and society. Sustainable business, where ethics, transparency and structured anti-corruption work are the keys to success. We continued during the year to strengthen our rules and how we work. The UN Global Compact is integrated in Saab's code of conduct and serves as the basis of our supplier code of conduct. In 2015, we began to focus on sustainable business throughout our supply chain.

Behind a record-high order backlog lies the company's most important resource: our employees. I am proud to lead a company with such a high level of competence. We will continue to become more international and build home markets around the world. Employees with around 60 different nationalities and many more backgrounds and experiences are now shaping Saab as a company on every continent.

As a cutting-edge high-tech company, we have to attract competent employees, especially engineers. This makes a greater interest in technology among children and young adults a matter of long-term survival. The importance of education to the development of society and companies can never be overestimated. We focus on developing our leaders and employees, so that they have the opportunity to develop personally and professionally. Our business goals are broken down into goals for each employee. This makes Saab better and our customers more satisfied.

Mixing people, ideas, experiences and cultures creates a dynamic company with more innovation



and higher profitability. Gender equality is therefore a success factor we work with on a daily basis. We have everything to gain from societies of people with different backgrounds and experiences. For me as CEO, it is important that diversity and tolerance are embraced wherever we work.

ON THE TECHNOLOGICAL FOREFRONT

Staying on the forefront of technology, combined with cost efficiency, is part of Saab's DNA. We have been shaped by tough competition and strict requirements for low product lifecycle costs. We know what is needed and can see the road ahead of us. The latest technology, the smartest solutions and the newest innovations. Long-term, financially stable and on the cutting edge.

Stockholm in February 2016

Håkan Buskhe
President and CEO

MARKET

THE GEOPOLITICAL LANDSCAPE

Geopolitical concerns in Europe, the Middle East and Asia have increased, and it is difficult to predict what lies ahead. This explains why many countries are re-assessing their defence capabilities, nationally and in co-operation with others.

Security challenges have grown in number, forcing the majority of European countries to re-evaluate their military resources. The European defence market is, among other things, being affected by Russia's military build-up in the region.

This is reversing the trend towards lower defence budgets. The perceived threat has reinforced the need to be better prepared, nationally and in co-operation with others. This can be seen not least in an increased emphasis on NATO's mutual defence clause, which now covers cyber security as well. The focus is on areas such as situational awareness, sensors, interoperability, exercises, training and simulations.

SOCIETY'S ROBUSTNESS BEING CHALLENGED

There are several global hotspots, and it is hard to predict how various situations will develop. European societies' robustness are being challenged by terrorism and the huge wave of refugees in the wake of the conflicts in the Middle East and Afghanistan. The question of how to handle these refugee streams is being discussed across countries. EU member states have also introduced border controls.

Armed conflict in Syria and Iraq, among other countries, with severe humanitarian consequences, together with the terrorist organisation Daesh's emergence, is shaking up an already unstable region in the Middle East. The conflicts and uncertainty

heighten the desire for stability, driving continued large-scale imports of defence materiel to the region.

GEOPOLITICAL DISPUTES IN SOUTHERN AND EASTERN ASIA

Years of strong economic growth have afforded China a huge build-up in its defence forces, which has been met with mistrust from neighbouring countries. Maritime disputes in East and South China Seas have been seen as provocative and led to military tension.

Continued economic growth, coupled with growing tension in the region, is driving the rise in defence spending in Southeast Asia, where the majority of countries are upgrading materiel, especially naval resources but also air defence. China's consistently strong investment in military modernisation is creating a sophisticated armed force, which is being closely watched by the rest of the world.



The need for preparedness and training has grown in pace with increased geopolitical instability. Saab offers various types of training and development simulators, including for the Gripen combat aircraft system.

MARKET DRIVERS

Changing threat scenarios are driving demand for advanced, cost-efficient products. They are also increasing the desire of customers for long-term, sustainable co-operations to enable them to build up and develop their own capabilities.



DEMAND FOR COST EFFICIENCY

Changing threat scenarios are creating a need for new, more modern defence materiel in many areas at the same time that defence spending is limited. Demand is increasing for advanced products with a lower purchase price that are also cost efficient to operate and maintain. Another important way for customers to be cost efficient is to use a product for multiple purposes.

INTEROPERABILITY AND COLLABORATION

Demand is growing for defence systems that are designed to be interoperable. When the militaries of more than one country work together, it has to be easy to co-ordinate and integrate their systems. It is also becoming increasingly common that defence materiel and systems are developed collaboratively between companies and countries, in part to share development costs.

SUSTAINABLE BUSINESS

The defence industry does not operate in isolation from the rest of society. It has to act responsibly in relation to people and the environment. In a global and transparent world, it is becoming more important for defence and security companies to use resource-efficient products and processes, offer fair working conditions and never accept corruption.

BUILD UP DOMESTIC CAPABILITIES

More and more countries are demanding industrial co-operations in connection with the purchase of defence materiel. Such co-operations may involve transfers of technology or knowledge, research partnerships or assistance in building up the local industry. The aim is to develop a domestic capability to maintain and grow defence systems as a way to reduce dependence on outside suppliers, as well as to be able to export.

EFFICIENT TRANSPORTATION

Global transportation of people and goods are growing, straining the capacity of many airports and sea-ports. Systems that optimise traffic flows are needed. The aim is to more efficiently use resources and cut costs, but also benefit the environment by reducing congestion and fuel consumption.

Around 3,600 people and 115 aircraft from nine different countries took part in Arctic Challenge Exercise 2015. Gripen is shown here together with an F18 and an F16.
Photo: Louise Levin/Swedish Armed Forces.

MARKET

CIVIL SECURITY

About 20 per cent of Saab's business is in commercial aeronautics, civil security and technical consulting.

COMMERCIAL AERONAUTICS

The market for commercial aeronautics is growing by about five per cent a year and has benefitted from the increasing share of the global population that can afford to fly. Driving the market are developments that reduce fuel consumption, e.g., wing designs and technologies that lower production costs as well as smart materials such as structures with embedded functions. Saab is a subcontractor to the leading aircraft manufacturers.

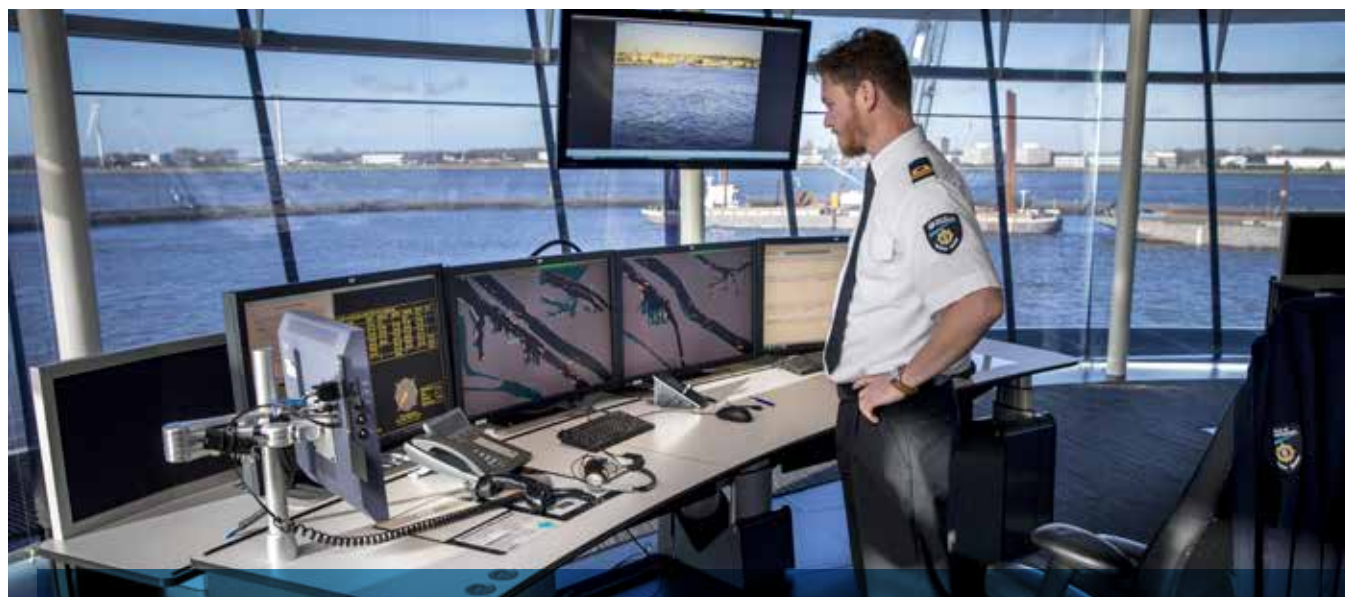
SECURITY AND TRAFFIC MANAGEMENT

The overall market for civil security is extensive. Saab is mainly active in traffic management systems for air, land and sea as well as security systems for critical infrastructure such as prisons and emergency services.

The global market for traffic management systems is worth about USD 7 billion, with annual growth estimated at five per cent. The market for security systems for critical infrastructure is worth about USD 2 billion and growing annually by about eight per cent.

TECHNICAL CONSULTING

The consulting operations of Combitech are a growing business for Saab. Technical expertise is combined with extensive industry know-how to create new solutions that address both environmental and security concerns. Services include information security, systems integration, communications, mechanics, systems security, systems development, technical product information and logistics.



SEA TRAFFIC MANAGEMENT

Saab today offers Sea Traffic Management (STM) systems to monitor and control activity in ports, but also for coastal surveillance. The systems use data from various sensors such as transponders, radar and cameras to give harbour masters the right information and can be integrated with Saab's KleinPort system, which manages administration and logistics in ports.

The systems are continuously adding new, improved functions as well as higher performance to handle more traffic while maintaining security. One example is that more customers want to be able to monitor and operate multiple ports from a single traffic management centre. Though this is possible with existing systems, the function has now been enhanced and further improved. In addition, it is now easier to monitor the routes that vessels take into port at an earlier point in time. This is an important step in the develop-

ment of the next generation of STM systems. STM will be studied and demonstrated in an international project and is expected to become a new standard in 2019.

"STM will give harbour masters a better overview of traffic and make it possible to optimise the entire supply chain," said Anders Carp, head of Saab Traffic Management.

STM networks will have higher data capacity and will be based on a different type of transponder, where ships' routes are meticulously planned and communicated. This will make it possible to plan the entire supply chain in detail: arrival times, pilotage, towing, unloading and loading to rail and truck, and departure from the port. Through advanced planning of each vessel's route and speed, they can arrive at a port at exactly the right time, increasing efficiency while also reducing fuel costs and emissions.

MARKET

DEFENCE MARKET

More than 80 per cent of Saab's sales is from defence related products and services. The defence materiel industry differs from many other industries in that security and foreign policy considerations influence decisions.

Defence materiel is often sold by a company to a government agency (Business to Government). In some cases Saab is a subcontractor to another defence company (Business to Business), and in others materiel is sold between governments (Government to Government) and Saab is a subcontractor to one of them. As a result, Saab's customers are often public authorities and political decision-makers.

The sale of defence materiel is governed by national procurement systems and often by security policy considerations. When exporting defence materiel, the process is governed by regulations on the sale of materiel in both the receiving country and the supplying country.

DISTINCTIVE CHARACTER OF DEFENCE INDUSTRY

Ensuring access to defence materiel is part of a nation's defence strategy. State ownership of defence industries is common, and defence exports in many cases are a foreign and security policy tool. Policies set the limits for the industry, but can also help to fund development and provide export assistance.

Defence companies traditionally have a strong domestic market, since their role is to secure the nation's supply of defence materiel, besides being profit-making enterprises. This has also meant that many defence industries have a broad portfolio to satisfy a nation's many different needs.

The size of the domestic market is important to the size of its defence companies. It is not so remarkable then that the US companies Lockheed Martin and Boeing or BAE Systems of the UK are many times larger than Saab.

CUSTOMERS WANT LONG-TERM COLLABORATIONS

Defence budgets have shrunk in traditionally large markets in North America and Europe, while



competition has increased in emerging markets in Latin America, the Middle East and Asia. In addition to US and European companies, the big competitors in the defence market include Russian and Chinese defence companies.

A number of countries in Asia, the Middle East and South America hope to strengthen their national independence and become more self-sufficient in defence materiel. Therefore domestic industries are favoured. Many countries also require more established defence companies to accept various types of partnerships, collaborations and technology transfers to the domestic industry.

Alliances and collaborations are common in the defence industry and many companies manufacture everything from specific components to platforms and integrate others' systems. This means that companies that compete in one area can be partners, customers or suppliers in other areas.

In the late 1930's, Sweden decided to secure the nation's supply of military aircraft. This laid the foundation for Saab, Svenska Aero-plan AB. Manufacture of the Saab 17 began in 1939.

For more information on responsible business, see Saab's Sustainability Report.

RULES FOR MATERIEL EXPORTS FROM SWEDEN

All sales of weapons and other defence materiel must fall within strict, controlled frameworks to ensure that the materiel is exported in accordance with international law. The majority of Saab's exports are from Sweden.

In Sweden, the Inspectorate of Strategic Products (ISP) is responsible for control of defence materiel. ISP's mission is to review applications to manufacture, supply, export, and co-operate outside the country. Defence materiel includes weapons, ammunition, surveillance and measurement equipment, protective materials, military training, technical assistance or other products developed for military purposes. The guidelines on Swedish weapon exports stipulate that there must be security or defence policy reasons for the export and that it cannot infringe on Swedish foreign policy.

These rules apply to all defence materiel exports from Sweden, regardless of the size of the order or country of destination.

MARKET

DEFENCE MARKET

The total global market for defence materiel* in 2015 is estimated at USD 294 billion. The market is expecting slight growth in coming years. The US remains the single largest market, but the biggest growth is seen in Asia.

Just over 60 per cent of Saab's sales comes from Europe, mainly Sweden. The region where Saab has grown the fastest in the last five years, though from low levels, is Latin America, and with Brazil's order for 36 Gripen this trend is expected to continue.

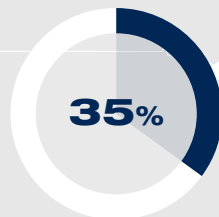
North America

Market value 2015: USD 106 billion
Annual growth 2016–2020: -1 per cent

The US is the world's largest single market, but defence spending has decreased since 2010, when the US concluded its combat missions in Afghanistan and Iraq, and as an effect of overall budget cutbacks.



Saab has teamed up with Boeing to develop a Ground Launched Small Diameter Bomb for artillery launch against complex targets.



SHARE OF GLOBAL MARKET 2016–2020

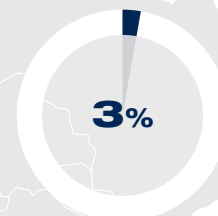
Latin America

Market value 2015: USD 10 billion
Annual growth 2016–2020: 3 per cent

Brazil accounts for about half of the Latin American defence market. The country is planning to modernise its military, including through a new submarine programme and Saab's Gripen combat aircraft. In Latin America, military systems are also used to monitor and combat drug trafficking.



The Brazilian government has ordered 36 Gripen NG, which will be delivered in 2019–2024.



SHARE OF GLOBAL MARKET 2016–2020

* Total global defence spending amounted to USD 1,627 billion in 2015, which includes personnel costs. For Saab, the value of the market for defence materiel is more relevant. Source: IHS Group, September 2015

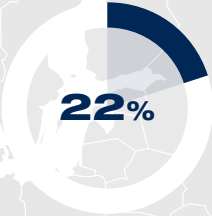
Europe

Market value 2015: USD 71 billion
Annual growth 2016–2020: 1 per cent

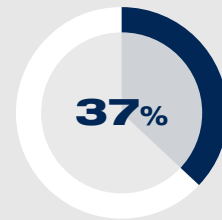
The security situation in the region has grown tenser, because of which a number of countries are now re-assessing whether to upgrade their defence systems and restock consumables such as ammunition.



A26 for the Swedish Navy is one of the world's most modern submarine programmes.



SHARE OF
GLOBAL MARKET
2016–2020



SHARE OF
GLOBAL MARKET
2016–2020

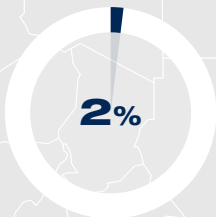
Asia

Market value 2015: USD 100 billion
Annual growth 2016–2020: 5 per cent

The defence market in Asia has grown by about 30 per cent in the last five years. One reason for the spending increase is political tension around the South China Sea, one of the world's most highly trafficked inland seas, which is also rich in natural resources. The Indian market for defence materiel is growing significantly, driven in part by strong economic growth in the country.



Saab develops and supplies the combat system for the Royal Australian Navy's Anzac frigates.



SHARE OF
GLOBAL MARKET
2016–2020

Africa

Market value 2015: USD 7 billion
Annual growth 2016–2020: 3 per cent

Economic growth and new threat scenarios are stimulating growth in the African defence market, but from low levels.



In South Africa, Saab is developing advanced self-protection systems for military helicopters, among other applications.

STRATEGY
PROFITABLE GROWTH



IN BRIEF

- Effective project execution
- Focused market efforts
- Win small and medium-sized orders
- Zero tolerance for corruption

4X

Saab's order backlog is more than four times annual sales

Order backlog's geographical distribution



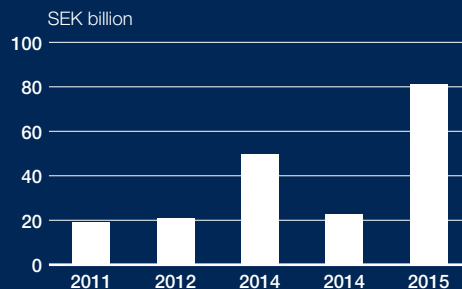
■ Sweden, 36%
 ■ Other markets, 64%

Order backlog duration

	SEK billion
2016	21.8
2017	15.9
2018	12.3
2019	11.7
After 2019	52.1

Saab's orders often extend over many years. The order backlog's duration provides an illustration of revenue that can be expected from current contracts.

Order bookings



STRATEGY

PROFITABLE GROWTH

Saab has had very strong order bookings in recent years, mainly thanks to a number of large orders. The order backlog exceeded SEK 100 billion at year-end. The focus is on delivering to customers at the same time that sales activities are being intensified to win more small and medium-sized orders.

LONG-TERM GROWTH

Saab's goal is that organic growth will exceed five per cent on average over a business cycle. In addition, complementary acquisitions are possible to win market share or gain access to key technologies. Businesses can also be divested.

A large share of the order backlog consists of large orders, such as the Gripen fighter to Sweden and Brazil, the Type A26 submarine to Sweden and an airborne radar system to the United Arab Emirates.

Large deals take a long time to prepare, and the contracts often extend over many years. Saab tries to maintain a good balance between orders of different sizes. A stable inflow of small and medium-sized orders enables Saab to devote resources to large development projects that offer long-term returns. One example of such a development project is Saab's collaboration with Boeing to bid for the U.S. Air Force's new jet trainer as part of the T-X program.

INCREASED PROFITABILITY

Saab's profitability goal is an average operating margin of at least ten per cent over a business cycle. Sales are expected to grow in coming years, paving the way for increased profitability, since a large share of the sales increase can be managed with existing resources.

An important success factor to be more profitable is operating efficiency, which Saab achieves in part by constantly challenging the way it works. For more information, see Strategy: Performance, page 17.

STRATEGIC PRIORITIES

Efficient project implementation

One of the most important factors for Saab's profitability is efficient project implementation. It is critical that we meet our contractual obligations in a timely fashion and on budget. Saab therefore attaches great importance to improving processes and spreading best practice within the company.

Focused marketing

Marketing and sales activities are focused on countries that account for the majority of order bookings. They are also concentrated on the portfolio's five core areas. For more information, see Strategy: Portfolio, page 20.



The first test aircraft under construction in the development of Gripen E.

Increase share of small and medium-sized orders

It is important to win small and medium-sized orders, which can be delivered faster to the customer and be converted to sales. In addition, operating income from these projects is fairly evenly distributed over time, while profitability in large projects typically rises as the risks decline over time as a growing share of the order has already been delivered.

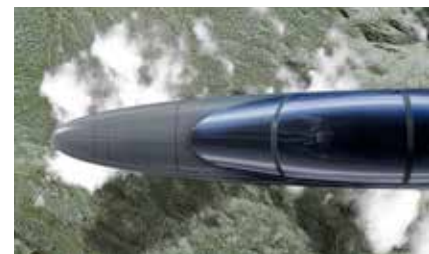
Products with proven functionality

In addition to launching new products, Saab has a very competitive and profitable portfolio of mature products. These products are sought-after in the market thanks to their high quality and proven functionality.

LOCAL MARKET PRESENCE

Saab has built a strong local presence in a number of key markets by establishing market areas. Large deals for combat aircraft systems, for instance, are managed through centralised campaigns where the business area and market area in question work closely together.

The marketing organisation provides insight into local procurement processes and the ability to work closely with customers and offer the right combination of products and solutions. This approach increases Saab's chances of winning more small and



Saab is partnering with Boeing to bid for the U.S. Air Force's new jet trainer as part of the T-X program.

STRATEGY

PROFITABLE GROWTH

medium-sized orders. In some key markets with a strong domestic defence industry, Saab can be a subcontractor to a local company.

Suppliers in intergovernmental deals

Some large defence deals are arranged between Sweden and another country. In these cases the Swedish Defence Materiel Administration (FMV) is the party that negotiates and signs the contract with the customer country. Saab assists FMV in the sales process, but only as a subcontractor to the Swedish state. This relationship is most common in large deals involving combat aircraft systems or large surveillance systems, for instance.

Research collaborations

Saab participates in broad-based innovation partnerships between industry, academia and the public sector. Taking part in research collaborations is also an element in Saab's strategy to strengthen ties with customers.

Diversity and integrative thinking drive innovation, and the fact that Saab does research and development work on several continents makes it more competitive.

Corruption prevention

Saab has zero tolerance for corruption. This is critical in order to be a reliable long-term business partner. It is also a competitive advantage when customers evaluate suppliers in an increasingly open and transparent defence market.

Preventing corruption risks begins with current laws, the company's code of conduct, processes and values as well as industry-wide codes of conduct.

Co-operations with marketing consultants is an example of a business arrangement that entails an increased risk, since the compensation is paid to companies that are not under Saab's direct control. As a result, all such agreements must be evaluated and approved by a central function within Saab – Market Network Management.

Employees in at-risk groups such as marketing and sales receive training in Saab's code of conduct and mandatory follow-up training covering, among other things, general risk awareness, internal processes and the company's tools for managing corruption risks.

All Saab employees are required to complete web-based anti-corruption training.

SAAB'S MARKET AREAS

To be close to customers in key markets, Saab has established five market areas:

- Nordic & Baltic (incl. Poland)
- Europe, Middle East & Africa
- North America
- Latin America
- Asia Pacific

For more information on international research collaborations, see Saab's Sustainability Report.



TECHNOLOGY TRANSFERS

When Saab signs major defence contracts, they usually involve more than just selling products. A growing number of countries also want technology and skills transfers as well as various forms of industrial co-operation. In this way, the buying country gets help building up or strengthening its domestic defence industry.

The desire for technology transfers was a factor when Brazil chose Gripen. The hope is that the co-operation will help to further develop Brazil's own defence industry. Through Gripen, Brazil also has an opportunity to participate in high-tech development with an extensive international reach.

In total, around 350 Brazilian engineers and technicians will spend time with Saab in Sweden, where they will receive training by working together with Saab's employees on a number of projects. The training will facilitate extensive development and production work, including final assembly, of Gripen in Brazil. The expertise that is built up in this way also gives Brazil the domestic capability to maintain and upgrade Gripen.

The contract also contains research projects, which bodes well for a close, long-term co-operation between Sweden and Brazil.

STRATEGY

PROFITABLE GROWTH

BUSINESS MODEL

Saab's offering comprises complex systems with a great deal of research and development as well as repeat orders for products and services. The business model is adapted to the product area, system complexity, customer group and geographical market.

Complex defence orders

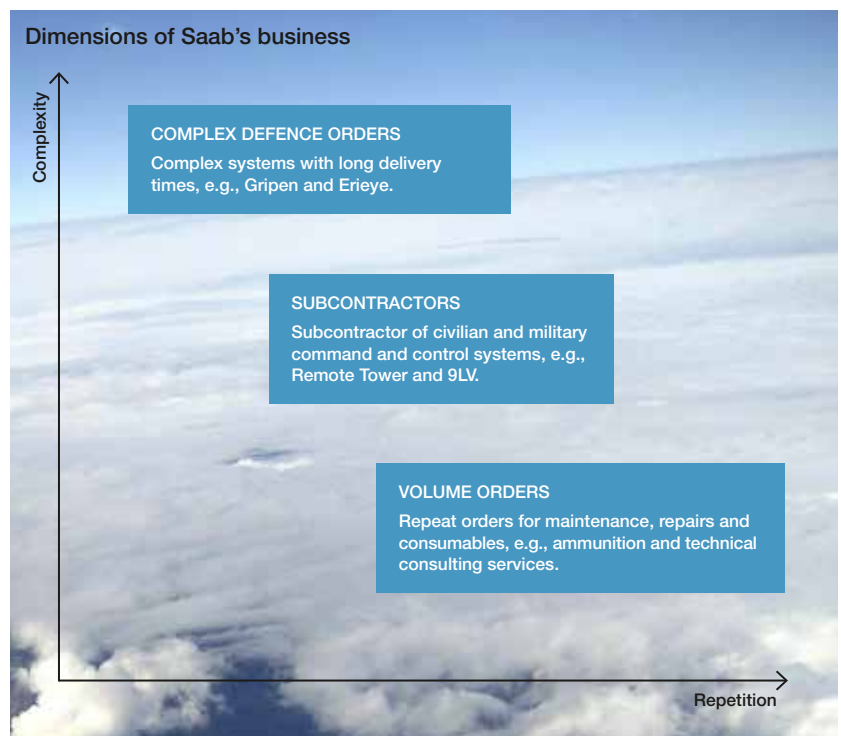
In complex defence orders, the solutions are comprehensive and often include training, maintenance, support and service over the product's entire life-cycle. Deliveries can continue for several years after development. These systems are configured and designed based on each customer's specific needs and often have a large share of customer-financed development. In addition, complex defence orders usually entail some form of industrial co-operation, e.g., technology transfers.

Subcontractor

Saab can also serve as a subcontractor to a partner with primary contact with the end customer, e.g., when supplying subsystems. Several of Saab's systems, such as command and control systems, are platform independent and can be integrated with other companies' products and systems. Another reason to be a subcontractor could be the cost or that the customer country wants a domestic company as the principal supplier.

Volume orders

Maintenance, support and training can also be sold separately. Consumables fall into the category volume orders as well. These products and solutions are often sold directly to the customer. Some products and services are delivered the same day an order is placed, while others have a lead time of over a year. These orders involve less customer-financed development than complex systems.



SIGNIFICANT ORDERS IN 2015

- In March, follow-on orders from Hindustan Aeronautic Limited (HAL), India, for serial production of an integrated electronic warfare self-protection system for installation on the Indian Army's and Air Force's Advanced Light Helicopter Dhruv. The total order value was MSEK 740.
- Contracts with the Swedish Defence Material Administration (FMV) for two Type A26 submarines as well as the overhaul and upgrade of two Gotland-class submarines. The orders cover the period 2015-2024 and have a total value of SEK 8.6 billion.
- Orders from the UK Ministry of Defence for additional Giraffe AMB radar systems plus upgrades of the existing British Giraffe systems. The order value is approximately MSEK 610. Deliveries started in the second half of 2015 and will continue until 2018.
- An order was received from the Brazilian government for the development and production of 36 Gripen NG aircraft. Deliveries of Gripen NG to the Brazilian Air Force will be undertaken from 2019 to 2024, and the total value is approximately SEK 39.3 billion. Saab also received an order from Brazil for external stores for Gripen NG. The order value is approximately MUSD 245 and deliveries will be undertaken between 2019 and 2024.
- In October, it was announced that Saab has extended its support and maintenance agreement with FMV for the SK60 trainer aircraft of the Swedish Armed Forces. The contract will be in place for three years starting on 1 July 2017 and the order value amounts to MSEK 400.
- The United Arab Emirates ordered a new airborne surveillance system valued at approximately USD 1.27 billion.
- A number of orders for advanced weapon systems and ammunition were received during the year.

STRATEGY

PROFITABLE GROWTH

TYPES OF SALES

Saab's sales model is divided into three main categories: sales of products and spare parts, service assignments and long-term customer contracts. In addition, Saab generates a small share of royalties.

Long-term customer contracts account for about 60 per cent of Saab's sales, but the distribution differs by business area. Aeronautics is dominated by long-term customer contracts, while Support and Services receive a higher share of service assignments. Due to the nature of the revenue Saab generates, sales, income and cash flow fluctuate over the course of the year. Long-term customer contracts involve the development and manufacture of complex systems. One example is FMV's order for Type A26 submarines, which Saab will work on until 2024. Long-term contracts are recognised in revenue as the project is completed, while cash flows depend on the timing of deliveries, advances and milestone payments during the order period.

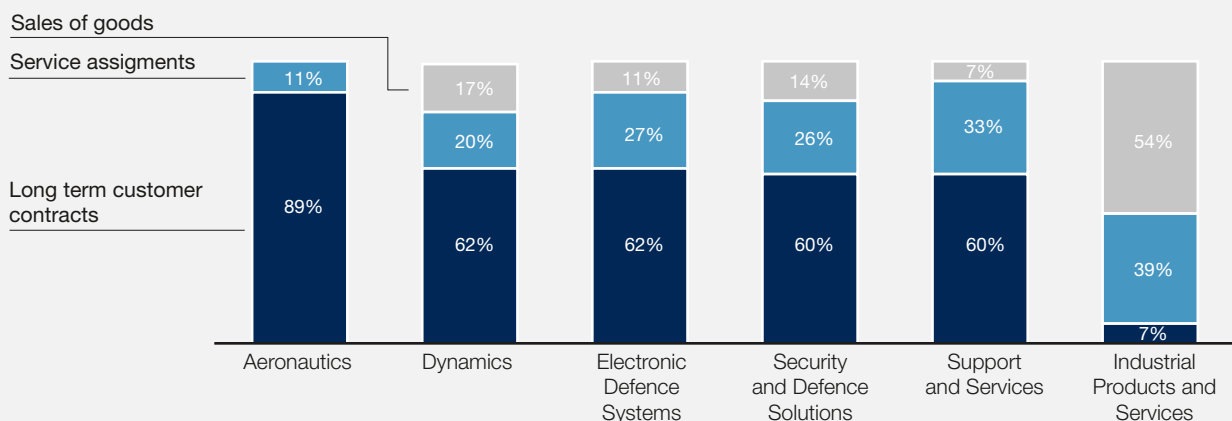
Service assignments consist of consulting and support services. Examples include ongoing maintenance associated with previous deliveries. Revenue from service assignments on current account is recognised when the services are rendered, while service assignments that are part of fixed-price contracts are recognised according to the same principles as long-term customer contracts.

The third part of the revenue model is the sale of products and spare parts that Saab manufactures and stocks or purchases on behalf of customers. This revenue is recognised when ownership has been transferred to the buyer. For more information, see note 5.



The AT4 support weapon system has been exported to more than 15 countries and in 2015 a new version of the weapon was launched.

Sales distribution 2015



The Security and Defence Solutions business area was dissolved as of January 1, 2016 and the business units have been distributed among the other business areas. For more information, see page 35.

STRATEGY PERFORMANCE



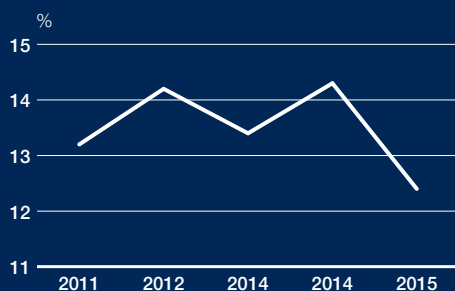
IN BRIEF

- Strengthened functional processes
- Stronger leadership
- Global research and development

MAXIMUM PERFORMANCE

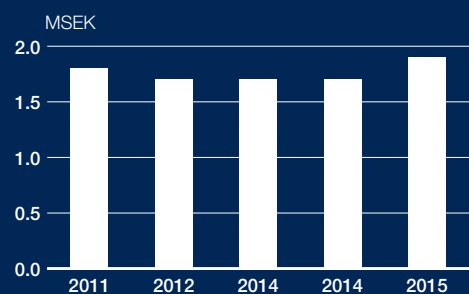
Saab's aim is to always provide the customer with maximum performance at the lowest possible cost. One example is its success in developing a combat aircraft system that breaks the cost curve. Saab develops further capabilities and capacities without raising expenses to the same extent.

Operating expenses as share of sales



Operating expenses are defined as marketing and administration costs.

Sales per employee*



* Average number of full time employees (FTE's).

STRATEGY

PERFORMANCE

Saab's most important competitive advantage is its ability to develop and deliver products that stand apart just as much for their cost efficiency as for their exceptional functionality and innovative technology.

Saab's long-term profitability goal is an average operating margin of 10 per cent over a business cycle. With a record-high order backlog, the focus is on efficient project execution, so that sales growth also results in increased profitability.

The company's profitability has been affected for several years by major investments in research and development to renew the product portfolio. While Saab will remain a research intensive company, investments are returning to a normal level. For more information on Saab's research and development expenditure, see the section Strategy: Portfolio, page 20.

STRATEGIC PRIORITIES

After a period where its focus was on product renewal, Saab is now entering a stage where the emphasis is on improving procedures, processes and infrastructure. Growth provides the flexibility to improve efficiencies in administration and Group functions.

In a matrix organisation like Saab, with business areas, market areas and Group-wide functions, it is essential to streamline governance and processes to avoid inefficiencies.

Project execution

Optimisation is important in a business where customer projects are complex and often extend over long periods of time. Saab's project managers

and employees are constantly looking for new ways to reduce costs without affecting quality or productivity.

Global research and development

To compete globally, Saab is trying to strengthen its presence in key markets. A larger share of research and development will be done outside Sweden. This facilitates better co-operation with local companies and allows Saab to bid on projects that require local research and development. In addition, Saab can be more innovative by capitalising on the ideas and innovations generated by its employees globally.

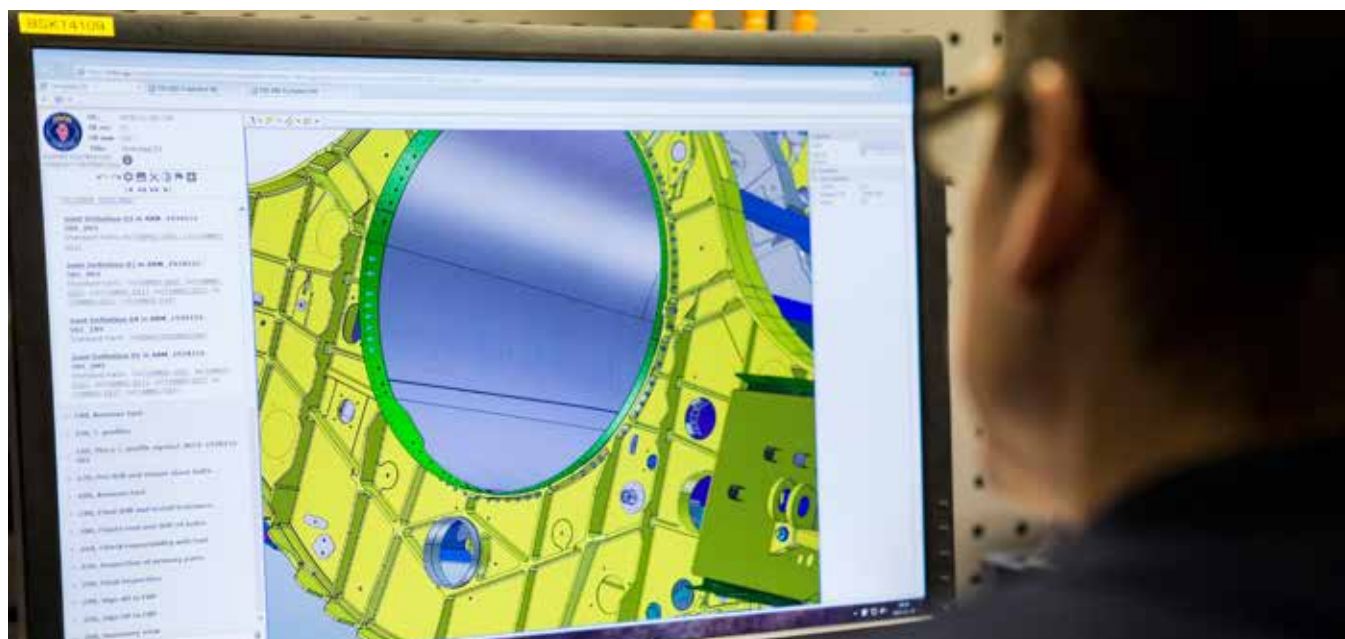
Effective functional processes

Saab has grown both organically and through acquisitions, as a result of which many of the functional processes within HR, communications, finance and IT are not being applied equally throughout the Group. An effort to streamline the processes has begun with the goal of creating internal synergies and improving performance management.

Consolidation of operating locations

Saab is active in more than 30 countries and in Sweden has operations in more than 50 locations, often in different facilities in the same location. There is room to consolidate operations in fewer locations in order to create stronger centres of excellence and reduce costs.

Saab is reducing the development time for the new generation Gripen with the help of model-based methodology.



STRATEGY

PERFORMANCE

Activities to strengthen leadership

An effort was launched in 2013 to develop a more business-oriented organisation distinguished by performance management and strong leadership. Internally, the project came to be known as “Leadership Boost” and comprised four main areas: creating a performance-driven culture, being both a leader and a manager, strengthening business understanding, and being more international. For more information, see Strategy People, page 26.

EFFICIENT WAYS OF WORKING

Lean development and administration

Saab uses agile methods and Lean in its development to increase productivity. The Lean philosophy is to eliminate anything that doesn't add value for the end customer.

Operations managers have a big responsibility to implement improvements together with their employees in both administration and in production. The creativity of employees is put to use, since they are able to continuously suggest improvements to various processes. These continuous improvements lead to thousands of efficiency gains each year.

The fact that the Lean philosophy has been implemented in certain administrative processes save resources and increase employee engagement.

Model-based development

Saab has been working for a long time with model-based development, which creates efficiency gains and greatly simplifies development work. The need for printed documents and drawings has disappeared, since development instead is done using visual elements that provide a better understanding of what has to be achieved and gives participants a better overview.

By visualising everything in a model that everyone involved can work with, it becomes easier to detect problems at an early stage and address them before they turn up in production and become more expensive to resolve. The customer is part of the process and can see how the system is designed to look and work. This avoids delays and expensive changes due to different expectations of the end result.

Model-based development is used in the development of Gripen, where Saab has gone from needing tens of thousands of different drawings and documents to working entirely digitally. Now 3-D drawings that follow the product through the entire chain from drawing to production are used instead.

Organisational change

Saab is continually re-evaluating its organisation to find synergies and reduce administrative costs.

Business units that share common technologies, markets or product offerings are being consolidated in the business areas. Consequently, business area Security and Defence Solutions has been dissolved and its business units have been distributed to other parts of the organisation as of 2016.

RESPONSIBLE SUPPLIERS

To clarify what it expects of its suppliers, Saab introduced a supplier code of conduct in 2015 based on the UN Global Compact's ten principles on human rights, labour, the environment and anti-corruption. In its code of conduct, Saab also expresses its expectation that our suppliers will place similar demands on their own suppliers.

For more information on Saab's supplier code of conduct, see Saab's Sustainability Report.



SUBMARINE RESCUE VEHICLE

A submarine rescue vehicle, SRV, can be described as an ambulance that is used to rescue a submarine crew in an emergency. As part of a far-reaching international alliance, a number of countries have agreed to help each other in such situations. The Swedish Armed Forces' SRV, Mk II, is easy to transport and can quickly be put in place, even if accidents occur in difficult-to-reach parts in the world.

FMV has completed a multi-year modernisation that has made Mk II a much more effective vehicle than its predecessor. In the latter stages of this project, Saab Kockums was tasked with further improving safety and functionality through a number of measures. This included improvements to the trim system, which is used to manoeuvre the SRV.

Kockums was awarded the contract just before Christmas 2014, and the vehicle was fully in operation with the armed forces in July 2015, an exceptionally short time under the circumstances. This is an excellent example of Saab's preparedness and ability to quickly implement projects.

“The most important reasons why we succeeded with this joint effort in such a short time were the strong co-operation with FMV, the crew and our suppliers,” said Fredrik B Svensson, project manager at Saab Kockums. “Of course, skilled employees who are committed to the project are necessary as well.”

KOCKUMS STIRLING

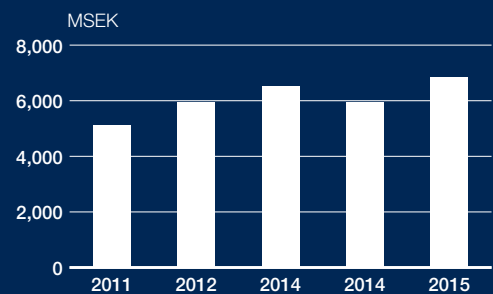
IN BRIEF

- Focus on core areas
- Market-driven development
- International focus
- Sustainable innovations

FIVE CORE AREAS

Saab's offering has to be competitive to succeed in a tough market, which is why resources are focused on five core areas. Training and support are integral parts of the core areas.

Total investments in research and development



AERONAUTICS

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



SENSORS

Airborne surveillance systems, air defence, surveillance and surface-based air defence.



ADVANCED WEAPON SYSTEMS

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



COMMAND AND CONTROL SYSTEMS

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



UNDERWATER SYSTEMS

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

STRATEGY

PORTFOLIO

Saab invests in product innovation and makes strategic acquisitions in an effort to continue to build a focused, market-oriented portfolio. Investments are primarily in core areas where the Group has, or may obtain, significant competitive advantages.

CORE AREAS

To stay competitive, operations are focused on five core areas: aeronautics, sensors, underwater systems, command and control systems, and advanced weapon systems, with training and support as integral parts.

The core areas also share in common that they are highly technological, complex and offer major synergies. For example, Saab has developed sensors, weapon systems, and the command and control system for the Gripen combat aircraft system.

STRATEGIC PRIORITIES

Research and development

Saab invests in areas where the Group is, or can be, a market or technology leader.

In recent years, Saab has made major research and development (R&D) investments in these core areas to create or renew products and product groups. Examples include the latest version of Gripen, sensors, AESA radar technology, the ground combat weapons Carl-Gustaf and AT4, and the Type A26 submarine. These investments enable Saab to offer world-leading products and solutions that meet the defence and security needs of its customers. In 2015, Saab continued to invest in an alliance with Boeing to bid for the U.S. Air Force's new jet trainer as part of the T-X program.

In 2015, total investments in self- and customer-financed R&D amounted to MSEK 6,841, corresponding to 25 per cent of total sales.

Market-driven renewal

Product renewal is often done in close co-operation with customers to ensure that Saab offers the most advanced technology for applications that customers want.

A good example of effective, market-driven product renewal is the AT4 family, a highly successful man-portable support weapon that has been exported to 15 countries around the world. A strong market position and demand from customers have led to the development of improved versions with extended reach and broader capabilities.

International focus

Tight competition in emerging markets increases the need for a local presence, which is why Saab intends to expand its international R&D partnerships. Collaborations with local companies lead to better opportunities to participate in bids where local R&D is a competitive advantage. Saab's current local co-operations in training, research, development, and production also help the company to stay on the forefront of technological innovation.

Groundbreaking technologies

Saab encourages employees to explore new areas and use groundbreaking technology. In 2015, Saab received an award as the first company to bring gallium nitride (GaN), a revolutionary, semiconductive material, to the defence market. GaN technology is used in the new generation Giraffe radar system that Saab launched in 2014. The new technology has contributed to a greater range through higher output, increased bandwidth and improved reliability.

Saab is also researching how the material graphene, the thinnest, strongest and most conductive material ever created, can be used for camouflage and composites with completely new capabilities.

In 2015, the Knut and Alice Wallenberg Foundation, in close cooperation with four Swedish ICT universities and other companies, launched an extensive research program on autonomous systems and software. Wallenberg Autonomous Systems Program (WASP) comprises basic research, education and researcher recruitment.



Saab's Remote Tower air traffic control system installed at Leesburg Airport in the US.



SUSTAINABLE INNOVATIONS

Through resource-efficient new technology, Saab can help to reduce environmental impacts, which will be necessary to compete in the global market also in the future. One spin-off from Saab's military technology is C-leanship, a Remotely Operated Hull Cleaning Vehicle (ROHCV) that cleans the hulls on some of the world's largest ships. The robotic cleaner has less environmental impact than conventional cleaning methods. In addition, a ship with a clean hull consumes less fuel.

Saab also participates in various research collaborations to create sustainable solutions for the future. One of them is Clean Sky, a Joint Technology Initiative financed by the EU and the industry to reduce aircraft emissions and noise. Another example is a collaborative project between military organisations in Sweden and the US to evaluate biofuels for aviation applications. Saab is providing Gripen as a test platform. Moreover, Saab initiated the Swedish-Brazilian Research and Innovation Centre (CISB), an arena of open innovation and an international hub to identify, develop and support research and development projects in advanced technology, including renewable energy.

Reduce environmental impacts

Saab is working systematically to reduce its impact on the environment and climate change. This includes efficiency improvement to reduce energy consumption in its facilities. Saab's climate goal is to reduce relative CO₂ emissions by 20 per cent from 2007 to 2020. The largest share of its total CO₂ emissions is from travel, so Saab encourages its employees to utilise of tele- and video conferencing.

Since 2006, Saab has reported its greenhouse gas emissions to the Carbon Disclosure Project (CDP), an independent organisation that collects climate data from companies around the world.

Another focus area is the phase-out of hazardous chemicals in processes and products. Finding alternatives and validating materials and processes is a continuous job. Several projects are underway to replace pigments and sealants that contain chromates as well as cadmium and lead in specific products.

Manufacture of the Type A26 began when the first steel for the submarine's hull was cut.

For more information on reducing environmental impacts, see Saab's Sustainability Report.

STRATEGY PORTFOLIO

MARKET-ALIGNED PORTFOLIO

Saab's market is characterised by change and its portfolio undergoes continuous renewal and adjustments to meet customers' needs through external collaborations, investments and divestments.

Collaborations

Collaborations are an important part of Saab's strategy. The Group's presence in important markets leads to close customer relationships that, in the long term, can develop into co-operations with universities, local communities and other businesses.

In connection with the order from Sweden for the Type A26 submarine, Saab teamed up with Damen Shipyards Group in the Netherlands and Naval Shipyard S.A. in Poland to explore future opportunities in the international submarine market.

PORTFOLIO COMPANIES AND ACQUISITIONS

The aim of product investments and acquisitions is to strengthen the portfolio in Saab's core areas or increase its local presence in selected markets.

In 2015, Saab and the US company DigitalGlobe formed a joint venture, Vricon Inc., to offer high-resolution immersive 3D data.

At the end of 2015, Saab and UMS Aero Group AG established a strategic partnership for unmanned aerial vehicles. Saab's assets relating to the Skeldar unmanned helicopter were transferred to the jointly owned UMS Skeldar AG.

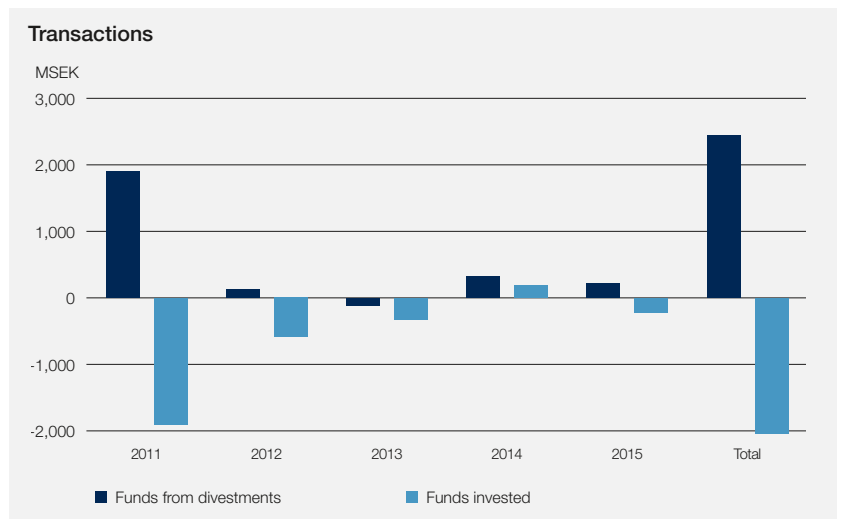
During 2015, Saab acquired 15 per cent of the Brazilian company Akaer Engenharia which operates in the aerospace industry.

SAAB VENTURES

Some of Saab's development projects result in product ideas that fall outside the core areas. These projects have been consolidated in Saab Ventures, whose role is to 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, fast-growing companies that could eventually complement Saab's portfolio.

Saab Ventures' holdings

Company	Ownership interest
C-leanship Aps (c-leanship.com)	47.9%
Cold Cut Systems AB (coldcutsystems.se)	28.7%
ReVibe Energy AB (revibeenergy.com)	35.9%
Wrap International AB (wrap.se)	22.6%



During the period 2011–2015 Saab has executed more than 30 transactions. In total the transactions have had a positive net effect on cash flow of MSEK 410.

TRANSACTIONS 2011–2015

	2011	2012	2013	2014	2015
Acquisitions and investments	<ul style="list-style-type: none"> Sensis 	<ul style="list-style-type: none"> HITT Medav Sörman Information Bayes Risk Management 	<ul style="list-style-type: none"> TIKAB Hydro-Lek Pipavav Defence and Offshore Engineering 	<ul style="list-style-type: none"> Saab Kockums Bayes Risk Management 	<ul style="list-style-type: none"> Akaer Engenharia Securecom Vricon Inc. Saab South Africa Pty Ltd UMS Skeldar AG Järfälla Veddesta Holdings AB Combient AB
Divestments	Divestments of a number of holdings, including portfolio holdings in Ventures, e.g. C3 Technologies	Divestments of portfolio holdings in Ventures	Divestments of portfolio holdings in Ventures	<ul style="list-style-type: none"> Scandinavian Air Ambulance Fastighets AB Odengatan Hawker Pacific Airservices Saab Grintek Technologies (Pty) Ltd 	<ul style="list-style-type: none"> Advance Development Group Inc Pipavav Defence and Offshore Engineering Omnigo (Pty) Ltd

STRATEGY

CASE: SENSORS

SENSOR SYSTEMS

Saab develops advanced sensors for a number of different applications that include airborne surveillance systems, fire control systems and mapping. Other types of sensors are used to detect threats against aircraft, vessels and vehicles, and to collect information on an adversary's systems, activities and intentions. These are usually called self-protection and signals intelligence systems.

Product development is also based on extensive experience from systems in operation in more than 40 countries. Saab's sensor systems are distinguished by their modular design, which means that the same technology and cornerstones can be used in several different products. Modularisation also means that new models can be developed continuously and cost efficiently. Saab differs from traditional defence companies in that industrial thinking is applied in everything it does. The key is to be innovative in the company's own development as well as to borrow the best ideas from commercial solutions.

Saab's most important competitive advantage is that its systems not only offer outstanding performance but are also compact, easy to integrate in existing customer systems, and easy to use and maintain with limited personnel. Furthermore, Saab offers service and support over the products' entire life cycle.



THREE AREAS OF APPLICATION FOR SURFACE RADAR

One example of advanced sensor development is Saab's further development in 2015 of surface radar systems, i.e., radar placed on land or on a vessel at sea. Surface radar has three main areas of application:

- Air defence, i.e., to watch for aircraft, missiles, etc. and direct an armed response.
- Weapon locating, e.g., searching for artillery shells and missiles to see where they were fired from. This is the main purpose of Saab's weapon locating system Arthur.
- The sense-and-warn function is designed to calculate where an object will land. A number of countries have used Saab's Giraffe AMB's ground-based air surveillance in recent years to protect their troops, including in Afghanistan and Iraq.



Preparations for antenna testing at Saab's radar operations in Göteborg.

The difficulty is in sorting out what is important from everything else the radar sees.



THE HARD PART IS SORTING

Modern radar systems can see very small objects at a long distance. A bullet can be detected from several kilometres away. The difficulty is in sorting out what is important from everything else the radar sees.

This is especially true if the object is small and slow. Saab's solution is ELSS (Enhanced Low Slow and Small), a new function that makes it possible to see and follow small, slow objects and distinguish whether it is a bird, for example, or a drone. Saab's systems are also able to sort out other types of unimportant signals. In an urban environment, for example, there are strong reflections from buildings and vehicles, which can be upwards of a million times stronger than the signal from the target you are trying to see.

In addition, modern combat aircraft have sophisticated jamming equipment to avoid detection and tracking, which is why modern radar systems have to contain advanced technology to counter jamming attempts. There is a continuous race in this respect between radar designers and jamming engineers.

SELF-PROTECTION SYSTEMS AND SIGNALS INTELLIGENCE

Jamming equipment is part of the concept of electronic warfare, where Saab also offers systems for self-protection and signals intelligence. Self-protection systems consist of sensors that detect signals from an adversary's radar. The aim is to understand and identify the signals that may constitute a threat and then disrupt them or activate countermeasures. One example of a countermeasure is to dispense flares that can divert incoming missiles. Signals intelligence involves gathering data and information from various types of sensors to create a base of intelligence. Put simply, it's a question of eavesdropping on others' radar.

One area that is expected to grow in the future is passive radar – sensors that listen for distortions in radio waves. It is possible, for example, to detect and localise an aircraft through a standard TV or radio signal bounced off the aircraft's body.



NEW AIRBORNE SURVEILLANCE SYSTEM

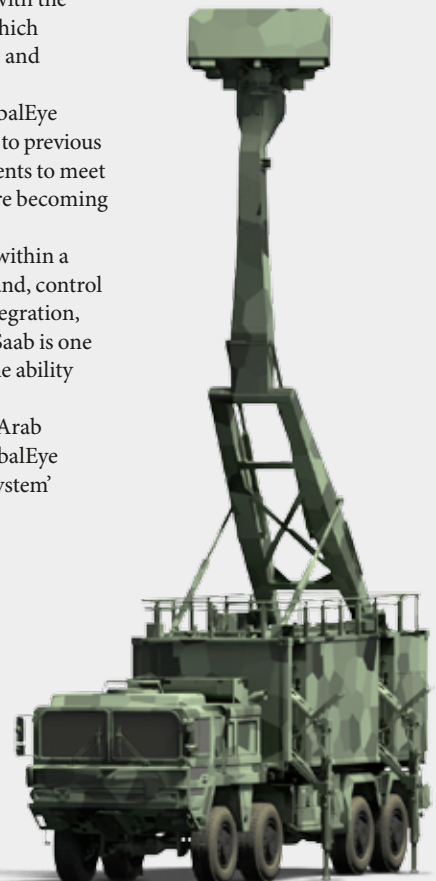
In February 2016 Saab launched the new airborne early warning and control solution GlobalEye which includes a new radar, the Erieeye ER (Extended Range) and a new aircraft solution.

GlobalEye's swing-role capability is unique on the market and allows the solution to change between air-, maritime and land surveillance during an ongoing mission. The system is used with the Global 6000 aircraft from Bombardier which provides greatly increased mission range and mission endurance of up to 11 hours.

The new Erieeye radar featured in GlobalEye further improves performance compared to previous versions and fulfils customers' requirements to meet changing threats and track targets that are becoming smaller and smaller on radar.

GlobalEye builds on Saab's expertise within a number of areas including radar, command, control and communication systems, aircraft integration, signals intelligence and self-protection. Saab is one of very few suppliers in the world with the ability to deliver this type of advanced system.

Saab's launch customer is the United Arab Emirates which ordered a version of GlobalEye referred to as 'Swing Role Surveillance System' in November 2015.





IN BRIEF

- Recruit the right talents
- Continuous skills development
- Increased diversity of ideas and individuals
- Create a performance-driven culture

SAAB'S AIM IS THAT EVERY EMPLOYEE WILL

- Be performance-driven
- Understand the business
- Think globally and embrace diversity
- Be strong and committed

60
NATIONALITIES

Number of employees per country	31 Dec 2015
Sweden	12,036
South Africa	629
USA	540
Australia	308
UK	211
The Netherlands	143
Czech Republic	129
Germany	112
Norway	84
Denmark	71
Other	422
Total	14,685



STRATEGY

PEOPLE

Attracting, retaining and developing leaders and employees is critical to ensure that we have the right strategic competence. Saab also works actively to build a culture that promotes diversity, performance and personal leadership.

Saab operates in a constantly changing global market, where it is important to have clear values to guide the company's strategy and daily work. Saab's core values are expertise, trust and drive.

STRATEGIC PRIORITIES

Talent recruitment

A big challenge is recruiting and retaining top talent. To stay competitive, Saab has to have the best employees in several areas. The company especially needs engineers, who are in short supply in Sweden.

Saab has long been committed to working with young people to encourage an interest in engineering and the sciences. This begins at an early age through sponsorships and partnerships with organisations that support young people's interest in technology. The company encourages upper secondary students to pursue a higher education by showing them the opportunities in research, technology, engineering and mathematics. At the university level, the focus is on positioning Saab as an attractive employer.

An annual summer job programme for around 400 students, 150 dissertation candidates, school visits, math volunteers, career fairs, open houses and lectures are examples of Saab's commitment to young people and potential employees.

During the year, Saab retained its eighth place position in Universum's ranking of the most popular employers among Swedish engineering students. Among men Saab ranked in the top three and among the women Saab is climbing in the ranking, but from a low level.



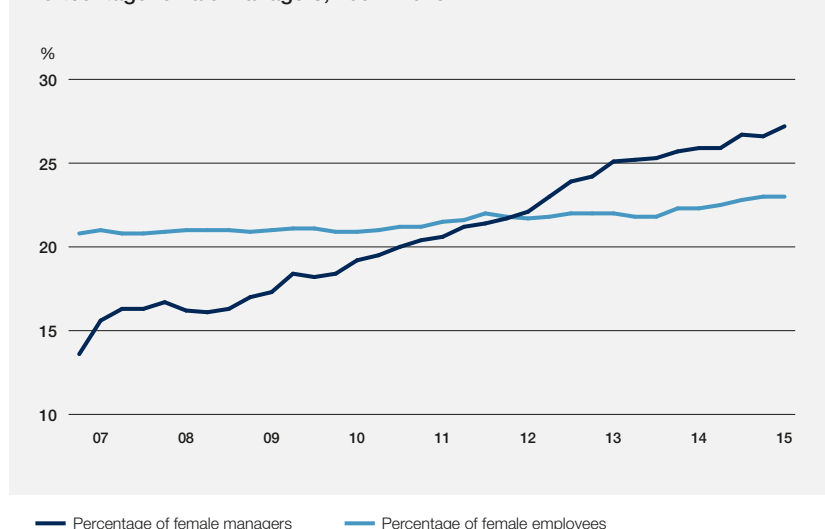
Diversity

Mixing people, ideas, experiences and cultures together creates a dynamic and innovative company with higher profitability. Diversity is an important part of Saab's global recruiting process, and of leadership training.

For Saab, it is vital that all employees understand the importance of diversity in the workplace and appreciate each individual's unique contributions to the company. Saab is empowering employees in this regard through an initiative called Employee Boost (see page 29), which is led by managers at every level of the entire company.

Lina and Aylin building cardboard aircraft at IGEday with Saab in Järfälla, Sweden. Photo: Lars Pehrson / SvD / TT.

Percentage female managers, 2007–2015



In 2007, the share of women in management positions was 13 per cent and at year-end 2015 the share was 27.2 per cent.

To increase diversity, Saab participates in a number of initiatives to encourage young people to study engineering and then work at Saab. In Sweden, one example is “Introduce a Girl to Engineering Day” (IGEday), where Saab and other companies opened their doors in 2015 to girls between the ages of 12 and 19 to inspire them to study science, engineering and mathematics.

Nurturing talent

To ensure that it has people with the right skills, Saab has to identify, develop and retain talents. A well-established process is in place to continuously track leadership resources and succession planning, and to identify talented employees and future leaders. The focus is on creating a broad-based, multi-faceted talent pool.

Saab’s “high potentials” have the opportunity to rotate between business areas and Group functions to better understand and contribute to the company. Several leadership training alternatives are available, including the Advanced Corporate Management Network (ACMN), which prepares international leaders to be successful in a global market and business.

Recent graduates who begin their careers through the trainee programme, the Saab Graduate Leadership Programme (SGLP), are also eligible for specialised training and job rotation. In 2015, ten candidates were accepted to SGLP based on their potential and interest in becoming future leaders at Saab.

Talent rotation

Saab isn’t limited to in-house talents. One example is the Brazilian engineers who are working in Sweden with their counterparts at Saab as part of the Gripen agreement with Brazil. Several of Saab’s employees are also working with Boeing in the US on the T-X program. In addition, a broad-based agreement was signed during the year with the Swedish Defence University on education, research and innovation.

Through the executive management programmes FEM and TIO, which are run collaboratively with other large multinationals, senior leaders at Saab develop the skills to lead, develop and manage complex, international businesses.



SAAB GRADUATE LEADERSHIP PROGRAMME “LEADERS OF A SAFER TOMORROW”

Saab’s trainee programme, the “Saab Graduate Leadership Programme”, is designed for recent graduates with the ambition and potential to develop into future leaders at Saab – “Leaders of a Safer Tomorrow”. The programme previously was available to only Swedish applicants, but as of 2015 there are participants from other countries as well. In the latest programme, which began in September 2015, ten employees are taking part from Australia, Sweden and South Africa.

Of a total of about 14 months, seven weeks are group-oriented, while the rest of the time is customised to each individual and area of the business. The participants have an opportunity to work in many different parts of the Group, which gives them a broader picture of Saab. In addition, they receive training in leadership and personal development, among other areas.

“What distinguishes Saab’s programme from many other trainee programmes is that we trainees are given responsibility to drive change in various ways from day 1,” said Tanika Hogan, who works with marketing communications in South Africa and is attending the Saab Graduate Leadership Programme. “We try to contribute to the organisation by spreading knowledge and finding improvements. I also appreciate the strong commitment from management.”

Experience from previous classes shows that a large share of former participants is now working in key positions within Saab.

PROUD EMPLOYEES

Sweden is Saab's largest market with 42 per cent of sales. The company has just over 14,685 employees with more than 60 nationalities in 35 countries. Saab has a low turnover and its employees are very satisfied; 82 per cent of survey respondents said they are proud to work at Saab and feel pride in Saab's technology and wide offering. One reason cited in the survey why they like their jobs is a positive work-life balance.

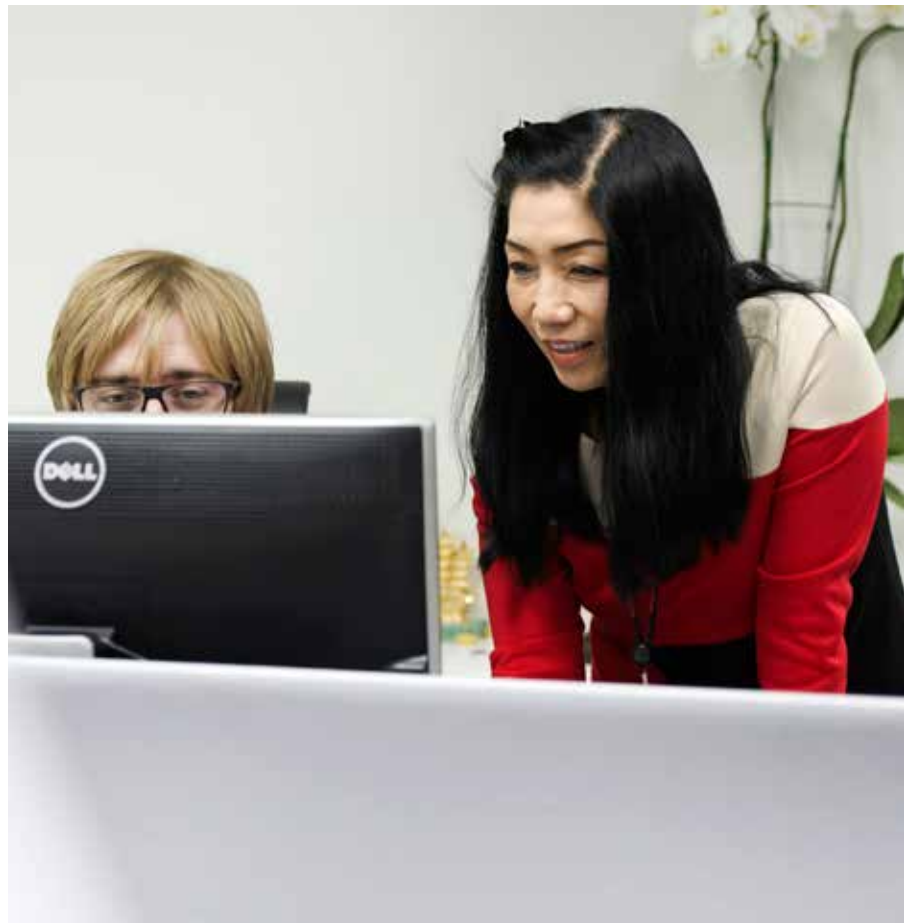
PERFORMANCE-DRIVEN CULTURE

A performance-driven culture with a focus on what is achieved and how it is done is critical to success in global competition. Every employee has an Individual Performance Management plan. Working together with their manager, they identify individual goals tied to Saab's business goals. It is essential that every employee understands how their work contributes to the company's overarching objectives, and that with great personal responsibility comes the opportunity to influence their development.

An important part of the performance-driven culture is ethical behaviour, where every employee understands their responsibilities. The key units that are affected receive training in responsible business, and in 2015 an updated version of Saab's code of conduct was launched along with an improved whistleblower system to better support employees.

Employee Boost

As part of a continuous effort to encourage employee engagement and motivation, a Group-wide initiative called "Employee Boost" was launched in 2015. The aim is to give employees a better understanding of the challenges Saab is facing, how each employee's performance affects Saab's future, and their role in achieving Saab's goals. The initiative, which consists of a combination of group work, discussions and performance-based results, focuses on four parts: a performance-driven culture, business understanding, internationalisation, and engaged, motivated employees.



WORK ENVIRONMENT

Health and well-being are important to Saab and its employees. Saab improves work environments in various ways, including through clear policies and guidelines, a work-life balance, support for local sporting activities and by giving employees access to exercise and wellness options.

Saab received a high rating in the 2015 employee survey on whether it encourages health and well-being. A global occupational health process is being established and will be fully implemented in 2020.

Saab comprises various businesses in many countries, which creates major development opportunities within the Group.

For more information on occupational health and safety, see Saab's Sustainability Report.

GOALS

SAAB'S GOALS AND RESULTS

The purpose of Saab's goals is to ensure the company's success and sustainability. The financial goals apply as of 2011.

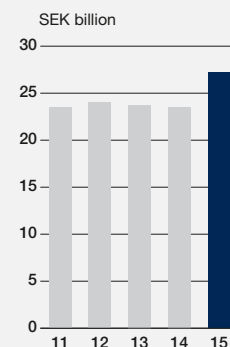
SALES

Average organic sales growth of 5 per cent per year over a business cycle. In 2015, organic sales growth was 11 per cent (-3).

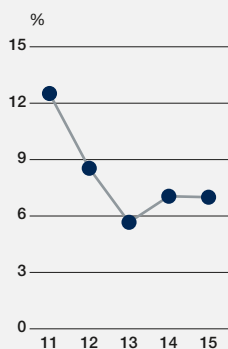
RESULT

Sales growth is a result of the major order bookings in recent years. All business areas are reporting growth despite what remains a challenging defence and security market.

Sales



Operating margin



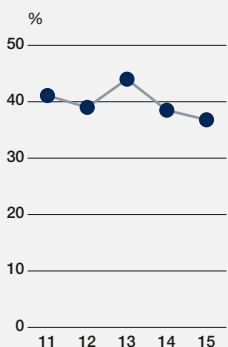
OPERATING MARGIN

Average operating margin (EBIT) of at least 10 per cent per year over a business cycle. In 2015, the operating margin (EBIT) was 7.0 per cent (7.1).

RESULT

Operating income has been positively affected by revenue recognition in large projects in the business areas Aeronautics, Electronic Defence Systems, and Support and Services. Investments in product renewal mainly related to sensors and the T-X program have had a negative effect on operating income.

Equity/assets ratio



EQUITY/ASSETS RATIO

The equity/assets ratio will exceed 30 per cent. At year-end 2015, the equity/assets ratio was 36.8 per cent (38.5).

RESULT

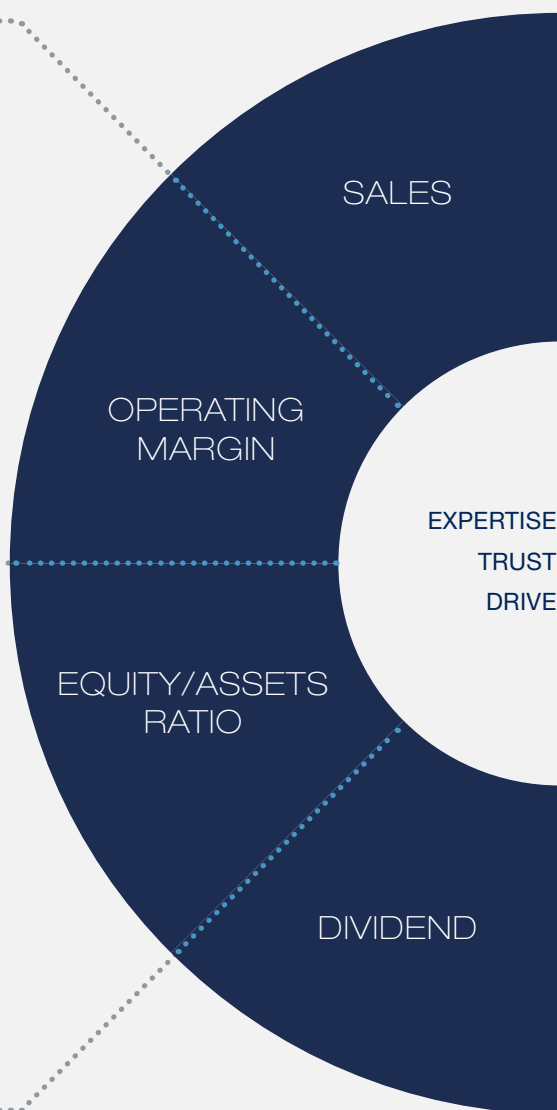
In 2015, funding increased in order to strengthen Saab's long-term flexibility. The equity/assets ratio is stable at a level exceeding the Group's goal, however.

DIVIDEND

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

RESULT:

For 2015, the Board of Directors proposes a dividend of SEK 5.00 per share (4.75), corresponding to 39 per cent (43) of net income.



↑ 5.00

ZERO TOLERANCE FOR CORRUPTION

Saab will have clear and widely available rules and processes to prevent corruption and manage conflicts of interest. All employees will receive anti-corruption training on a regular basis.

RESULT

9,507 of Saab's employees have completed the web-based anti-corruption training. Since 2011, more than 1,000 employees have completed extended anti-corruption training.

RESPONSIBLE SUPPLIER RELATIONS

Saab will continuously co-operate with suppliers on social and environmental responsibilities.

RESULT

Saab launched a special supplier code of conduct and updated contract templates with a clause on the code of conduct.

REDUCE CLIMATE IMPACTS

Reduce greenhouse gas emissions by at least 20 per cent from 2007 to 2020 as related to sales.

RESULT

Saab has reduced greenhouse gas emissions by 17 per cent from 2007.

PHASE OUT HAZARDOUS CHEMICALS

Phase out hazardous chemicals with unacceptable risks and chemicals that could be subject to regulation by authorities and customers.

RESULT

Phase-out work continued according to plan. Saab has launched, among other things, a new surface treatment process to replace chromates and a new cleaning facility to phase out trichloroethylene.

GENDER EQUALITY AND DIVERSITY

Saab will be an inclusive workplace where gender equality and diversity goes without saying. In Sweden, Saab should have at least 35 per cent female managers and at least 30 per cent female employees in 2025. Globally, Saab should have at least 30 per cent female employees and 25 per cent female employees 2025.

RESULT

In Sweden, Saab had 27.2 per cent female managers and 23 per cent female employees. Globally, Saab had 23.5 per cent female managers and 22.4 per cent female employees.

EMPLOYER OF CHOICE

At least 85 per cent of employees will be very satisfied to work at Saab.

Saab will rank among the top five in Universum's ranking of future employers among Swedish engineering students.

RESULT

82 per cent of Saab's employees were very satisfied to work at Saab.

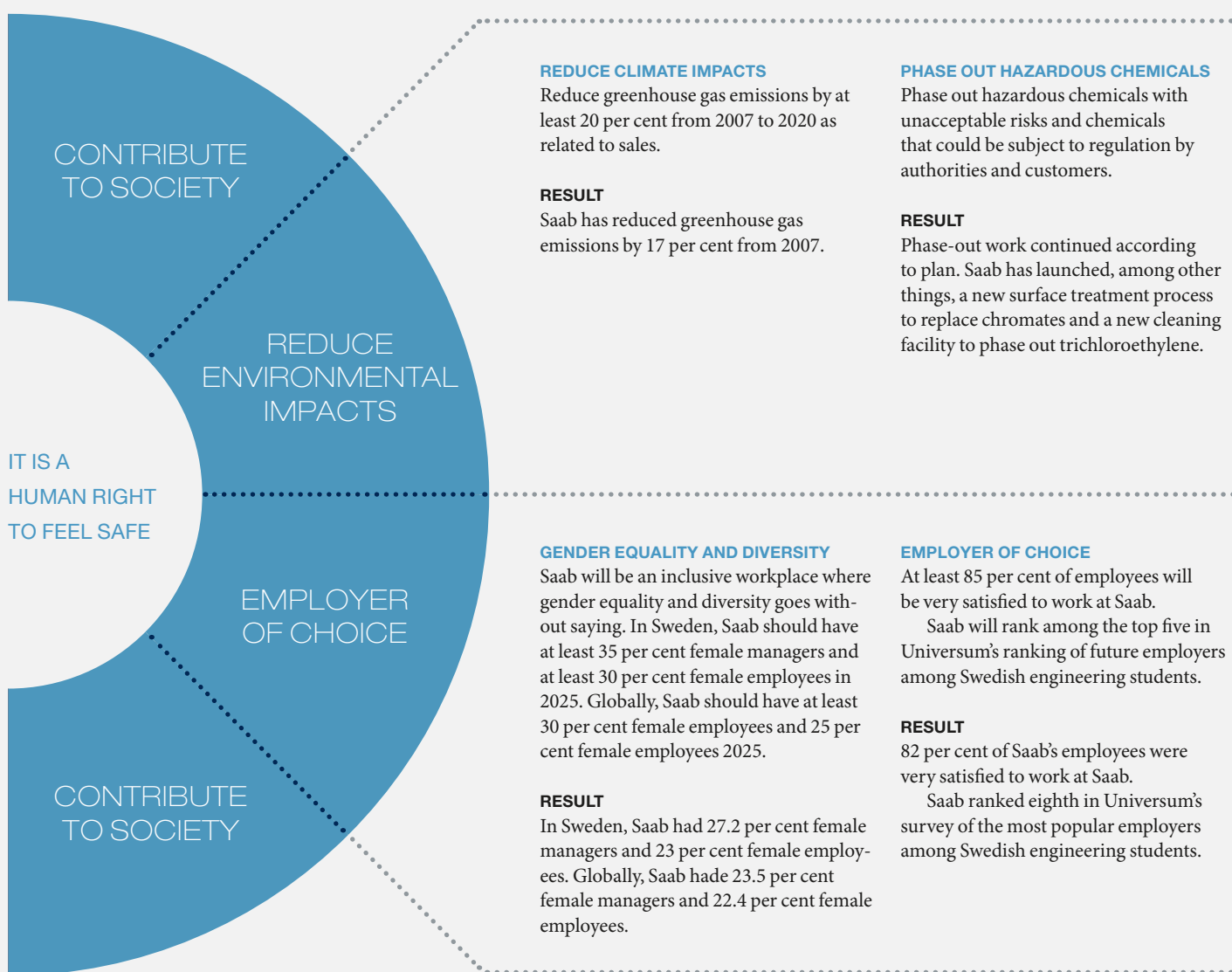
Saab ranked eighth in Universum's survey of the most popular employers among Swedish engineering students.

SOCIAL ENGAGEMENT

Saab will contribute to social development in markets where Saab is active, mainly with the help of Saab's employees and technologies and with a special emphasis on promoting education and an interest in technology.

RESULT

Saab continued during the year to promote education and an interest in technology among children and young adults, including with the help of employees who volunteer as math tutors and through activities to interest girls in technology.



THE SAAB SHARE

SHARE CAPITAL AND NUMBER OF SHARES

Saab's share capital amounted to SEK 1,746,405,504 on 31 December 2015, comprised of 1,907,123 unlisted Series A shares and 107,243,221 listed Series B shares. Series A shares have ten votes each, while Series B shares have one vote each. The quota value per share is SEK 16. The Series B share is listed on Nasdaq Stockholm's Large Cap list. All Series A shares are owned by Investor AB.

Shares and votes, 30 December 2015

Share class	Number of shares	% of shares	Number of votes	% of votes
Series A	1,907,123	1.7	19,071,230	15.5
Series B	107,243,221	98.3	104,049,942 ¹⁾	84.5
Total	109,150,344	100.0	123,121,172	100.0

¹⁾ Number of votes excludes 3,193,279 Series B shares repurchased to secure the Group's Share Matching Plan and Performance Share Plan. The repurchased shares are held as treasury shares.

Source: Modular Finance

OWNERSHIP STRUCTURE

Saab had 33,339 shareholders (33,732) at year-end 2015. Swedish investors accounted for 82.9 per cent (81.7) of the capital stock and 85.2 per cent (83.7) of the votes.

Saab's largest shareholders, 30 December 2015

Owner	Number of shares	% of share capital	% of votes ¹⁾
Investor AB, Sweden	32,778,098	30.0	40.6
Wallenberg foundations, Sweden	9,468,700	8.7	7.7
Swedbank Robur Funds, Sweden	8,031,192	7.4	6.5
AFA Insurance, Sweden	6,513,727	6.0	5.3
Unionen, Sweden	2,900,828	2.7	2.4
Handelsbanken Funds, Sweden	2,376,876	2.2	1.9
DFA Funds, USA	1,660,630	1.5	1.3
Lannebo Funds, Sweden	1,371,000	1.3	1.1
Nordea Funds, Sweden	1,358,952	1.2	1.1
SEB Funds, Sweden	937,641	0.9	0.8
Foundation Asset Management, Sweden	926,853	0.8	0.8
Svolder AB, Sweden	820,000	0.8	0.7
Lazard Frères Gestion Funds, France	731,600	0.7	0.6
Gladiator Funds, Sweden	728,880	0.7	0.6
RAM Funds, Sweden	640,599	0.6	0.5
Subtotal, 15 largest shareholders	71,245,576	65.3	71.8
Other Swedish shareholders	18,466,761	16.9	15.3
Other international shareholders	16,244,728	14.9	12.9
Repurchased shares	3,193,279	2.9	-
Total	109,150,344	100	100

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

Source: Modular Finance

Distribution of shareholders, 30 December 2015

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of share capital
1-500	28,598	85.8	3,313,591	3.0
501-1,000	2,537	7.6	2,022,531	1.9
1,001-5,000	1,828	5.5	3,575,913	3.3
5,001-10,000	137	0.4	1,028,902	0.9
10,001-20,000	80	0.2	1,150,319	1.1
20,001-50,000	60	0.2	1,894,786	1.7
50,001-	99	0.3	96,164,302	88.1
Total¹⁾	33,339	100.0	109,150,344	100.0

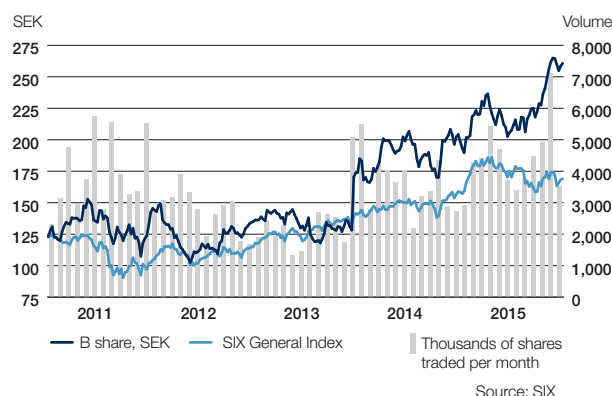
¹⁾ Including 3,193,279 repurchased Series B shares.

Source: Modular Finance

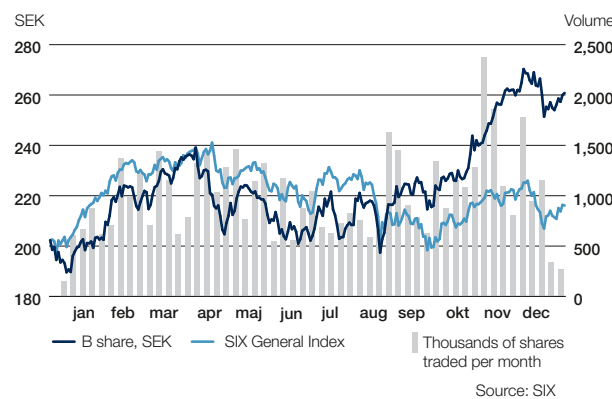
TRADING VOLUME AND STATISTICS

A total of 52,601,224 of Saab's Series B shares (42,935,663) were traded on Nasdaq Stockholm in 2015, or about 73.4 per cent of Saab's traded Series B shares. In 2015, about 20.5 per cent of Saab's Series B shares were traded on Chi-X, about 3.2 per cent on Turquoise, about 2.9 per cent on BATS and less than 0.01 per cent on Burgundy. The share price reached a high of SEK 270.30 on 30 November 2015 and a low of SEK 189.60 on 14 January 2015 in Nasdaq Stockholm trading.

Saab B, 1 January 2011 – 31 December 2015



Saab B, 1 January 2015 – 31 December 2015



THE SAAB SHARE

SAAB'S LONG-TERM INCENTIVE PROGRAMME

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

The Annual General Meeting held on 15 April 2015 resolved in accordance with the Board's proposal to adopt a long-term incentive programme 2015 (LTI 2015), consisting of a Share Matching Plan 2015 and a Performance Share Plan 2015. The proposed terms for LTI 2015 correspond to the terms introduced through LTI 2014 and which are considered appropriate.

LTI 2015 makes it easier for current and future employees to become shareholders in Saab and includes a requirement that they make a personal investment in Saab shares. The aim of the programme is to encourage employees' long-term commitment and performance as well as to increase the Group's attractiveness as an employer.

For more information on the incentive programme, see pages 58–59 and note 10.

AUTHORISATION

The Annual General Meeting 2015 also resolved to authorise the Board of Directors to decide to acquire not more than 1,340,000 Saab Series B shares to

secure delivery of shares to participants in Saab's long-term Share Matching Plan and Performance Share Plan and for subsequent transfers to cover certain expenses associated with LTI 2015, mainly social security costs. Repurchases may be effected on Nasdaq Stockholm.

Furthermore, the Annual General Meeting 2015 resolved to authorise the Board of Directors to decide to repurchase Saab Series B shares up to a maximum of 10 per cent of all the shares in the company. The purpose of the authorisation is to be able to adapt the company's capital structure and thereby contribute to increased shareholder value as well as to enable continuous use of repurchased shares in connection with potential company acquisitions and for the company's share-based incentive programmes. Repurchases may be effected on Nasdaq Stockholm. During 2015, the Board of Directors did not make any decisions to exercise this repurchase mandate.

Both repurchase mandates apply until the Annual General Meeting 2016.

DIVIDEND AND DIVIDEND POLICY

Saab's long-term dividend policy is to distribute 20–40 per cent of net income over a business cycle. For the financial year 2015, the Board of Directors proposes a dividend of SEK 5.00 per share (4.75), corresponding to 39 per cent (43) of net income.

FIVE-YEAR SUMMARY

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

ANALYSTS WHO COVER SAAB

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

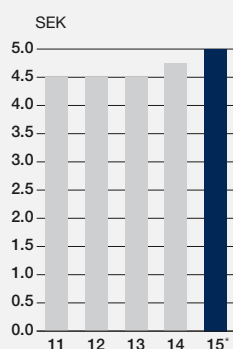
4,549

of Saab's employees joined the Saab Share Matching Plan 2015.

INVESTOR RELATIONS

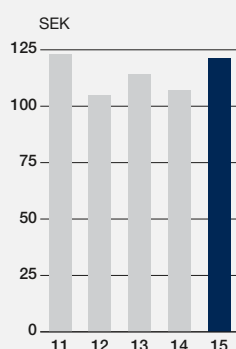
Ann-Sofi Jönsson, Head of Investor Relations
E-mail: ann-sofi.jonsson@saabgroup.com
Phone: +46 8 463 02 14

Dividend per share

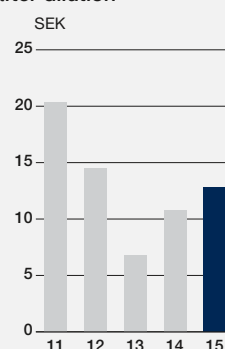


*Board of Directors' proposal

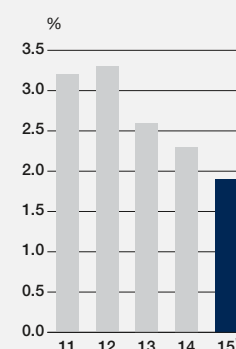
Equity per share



Earnings per share after dilution



Yield at year-end



*Calculated on a SEK 5.00 dividend

ADMINISTRATION REPORT

CONTENTS

Group – Financial review 2015	35
Business areas	36
Other significant events	42
Risks and risk management	44
Corporate governance report	48
Board of Directors and Auditors	54
Group Management	56
Other information	57
Financial statements	60
Dividend motivation	113
Proposed disposition of earnings	114
Audit report	115

ADMINISTRATION REPORT

GROUP - FINANCIAL REVIEW 2015

FINANCIAL REVIEW 2015

Saab AB (publ.), corporate identity number 556036-0793, has its registered address in Linköping, Sweden and its head office at Gustavslundsvägen 42, Bromma, Sweden. 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 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 41 per cent of the votes. The share of the votes is calculated based on the number of shares, excluding treasury shares, at year-end. The total number of shares in the company is 109,150,344, distributed between 1,907,123 Series A shares with ten votes each and 107,243,221 Series B shares with one vote each. At year-end, a total of 3,193,279 Series B shares had been repurchased to guarantee the Group's various share matching plans. The repurchased shares are held as treasury shares.

In accordance with the Swedish Annual Account Act, Saab has prepared a corporate governance report. The corporate governance report, found here on pages 48–56, contains the Board of Directors' report on internal control of financial reporting, which includes information for both the Parent Company and the Group.

OPERATIONS

As one of the world's leading high technology companies, Saab offers products, solutions and services for military defence and civil security. In 2015, the Group had customers in over 100 countries, while research and development was concentrated in Sweden. Most of the Group's employees work in Europe, South Africa, the US and Australia, but people are also on site in offices in more than 30 countries around the world.

Saab was organised in six business areas in 2015: Aeronautics, Dynamics, Electronic Defence Systems, Security and Defence Solutions, Support and Services, and Industrial Products and Services.

As of 1 January 2016, business area Security and Defence Solutions has been dissolved and its business units have been distributed among the business areas as follows.

- Traffic Management and Combat Systems and C4I Solutions becomes part of business area Electronic Defence Systems.
- Training and Simulation becomes part of business area Dynamics.
- Critical Systems & Communication Solutions becomes part of business area Support and Services.
- The business unit Saab Kockums will report as a standalone operating segment.

CORPORATE

In addition to the business areas, Corporate comprises Group staff and departments and secondary operations as well as Saab Aircraft Leasing.

Corporate reported operating income of MSEK -128 (41) in 2015.

Reversals of risk provisions relating to the divestment of Saab's leasing fleet of turbo prop aircraft (SAL) contributed positively to operating income in 2015 and 2014. In 2014, the owned share of the leasing portfolio was divested and the part held via operating leases was reduced. The leases on the aircraft expired in January 2015 and the leasing operations were completely discontinued in 2015.

On October 23, Saab announced that business area Security and Defence Solutions will be dissolved as of 1 January 2016 and its business units transferred to other business areas. The reorganisation gave rise to MSEK 106 in restructuring costs. The divestment of a property company gave rise to a capital gain of MSEK 107.

In October 2014, Saab divested its minority holding in Hawker Pacific Airservices, which resulted in a capital gain of MSEK 93. In 2014, the divestment of a Group company, whose assets mainly consisted of one property, also had a positive impact on the operating income.

Operational cash flow attributable to Corporate amounted to MSEK 110 (57) in 2015. The sale of receivables had a positive effect of MSEK 228.

LONG-TERM FINANCIAL OBJECTIVES

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

Organic sales growth will average 5 per cent per year over a business cycle. In 2015, organic sales growth was 11 per cent (-3).

The operating margin (EBIT) will average at least 10 per cent per year over a business cycle. In 2015, the operating margin (EBIT) was 7.0 per cent (7.1).

The equity/assets ratio will exceed 30 per cent. At year-end 2015, the equity/assets ratio was 36.8 per cent (38.5).

DIVIDEND AND DIVIDEND POLICY

Saab has a long-term dividend goal to distribute 20–40 per cent of net income over a business cycle to the shareholders. For 2015, the Board of Directors is proposing a dividend of SEK 5.00 (4.75) per share, corresponding to 39 per cent (43) of net income.

OUTLOOK 2016

In 2016, we estimate sales to be in line with Saab's long-term financial goal: annual organic sales growth of 5 per cent.

The operating margin 2016, excluding material non-recurring items, is expected to be in line with 2015.

ADMINISTRATION REPORT

BUSINESS AREA AERONAUTICS

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



SERVICES AND SOLUTIONS

- Gripen is the world's most flexible and adaptable combat aircraft system and will be continuously upgraded and improved.
- Unmanned/autonomous systems.
- Boeing and Saab are jointly developing a series prototype for the next generation trainer aircraft for the U.S. Air Force, the T-X program.

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

ORDERS RECEIVED

In 2015, the contract with the Brazilian government on the development and production of 36 Gripen NG took effect. Of the total order of SEK 39.3 billion, about SEK 35.5 billion related to Aeronautics. The contract with Brazil's Ministry of Defence through Comando da Aeronáutica (COMAER) for external stores for Gripen NG took effect as well. The order value amounted to approximately SEK 1.8 billion.

Orders received with a total value exceeding MSEK 100 represented 98 per cent (95) of total order bookings.

SALES, INCOME AND MARGIN

Sales increased in 2015 compared to 2014 mainly due to sales related to Gripen NG to Brazil and Gripen E to Sweden.

The operating margin was adversely affected by the significant investment made in 2015 in the T-X program, where Saab has teamed up with Boeing to develop the trainer aircraft of the future. This work will continue in 2016.

In December, Saab and UMS Aero Group AG,

a Swiss supplier of tactical unmanned aerial vehicles (UAVs), formed a joint venture under the name UMS Skeldar AG. Saab transferred all assets relating to the Skeldar unmanned helicopter to UMS Skeldar. The transfer generated a capital gain of MSEK 117.

Markets outside Sweden accounted for 26 per cent (10) of sales.

CASH FLOW

Operational cash flow was negative in 2015 due to timing differences in project execution, milestone payments and investments in the T-X program.

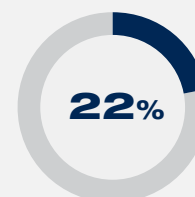
EMPLOYEES

The number of employees rose slightly during the year mainly due to increased activity in the Gripen programmes.

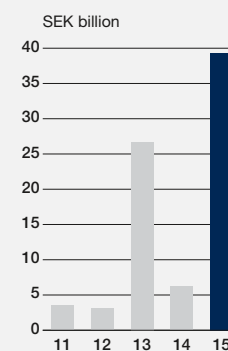
Key figures

MSEK	2015	2014
Order bookings	39,349	6,213
Order backlog	59,476	26,388
Sales	6,262	5,454
EBITDA	548	439
EBITDA margin, %	8.8	8.0
Operating income, EBIT	509	398
Operating margin, %	8.1	7.3
Operational cash flow	-632	-401
No. of employees (FTE)	2,723	2,690

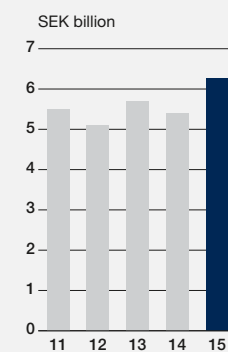
Share of sales 2015



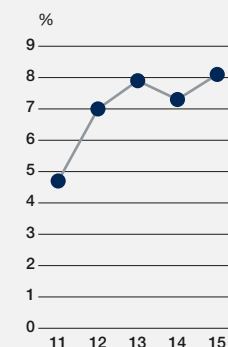
Order bookings



Sales



Operating margin



ADMINISTRATION REPORT

BUSINESS AREA DYNAMICS

Dynamics offers a market-leading product portfolio 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 defence markets such as underwater vehicles for the offshore industry.



SERVICES AND SOLUTIONS

- Ground combat weapons, including NLAW, AT4, Carl-Gustaf and Bill 2.
- Land-based air defence systems, including RBS 70, RBS 70 NG and BAMSE.
- RBS 15 air-to-surface missile and international missile programmes such as Meteor, Taurus, IRIS-T and GLSDB.
- Underwater systems, including remotely operated and autonomous vehicles as well as torpedoes and underwater sensors.
- Advanced camouflage systems, including Barracuda MCS, ULCAS and SOTACS.

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

Dynamics includes the following business units: Ground Combat, Missile Systems, Underwater Systems and Barracuda. As of 1 January 2016, the business unit Training and Simulation is included in the business area as well.

ORDERS RECEIVED

In 2015, FMV ordered the continued development of the New Lightweight Torpedo plus maintenance agreements for underwater weapon systems and the Hydra sonar system. The Finnish Defence Forces ordered the NLAW anti-tank weapon, and Saab received the first orders for the new portable Carl-Gustaf M4 multi-role weapon system from the armed forces of the Slovak Republic, among others. In addition, an order was received from the U.S. Army for the shoulder-launched AT4 CS RS (reduced sensitivity) anti-armour weapon.

Orders received with a total value exceeding MSEK 100 represented 45 per cent (23) of total order bookings.

SALES, INCOME AND MARGIN

Sales rose in 2015 compared to 2014 due to strong order bookings during the year. During the fourth quarter 2015, sales and operating margin strengthened year-over-year due to increased deliveries and a change in the product mix. This also led to positive operating income for the year.

Markets outside Sweden accounted for 81 per cent (81) of sales.

CASH FLOW

Operational cash flow was negative in 2015 due to higher activity levels related to upcoming deliveries.

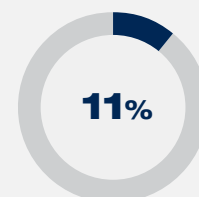
EMPLOYEES

The number of employees rose in 2015 due to increased order bookings.

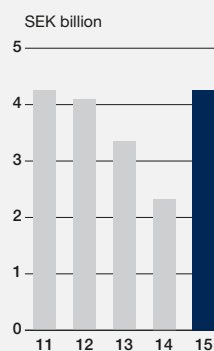
Key figures

MSEK	2015	2014
Order bookings	4,261	2,325
Order backlog	4,963	3,915
Sales	3,199	2,974
EBITDA	227	226
EBITDA margin, %	7.1	7.6
Operating income, EBIT	171	165
Operating margin, %	5.3	5.5
Operational cash flow	-251	-69
No. of employees (FTE)	1,533	1,461

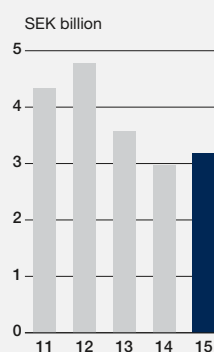
Share of sales 2015



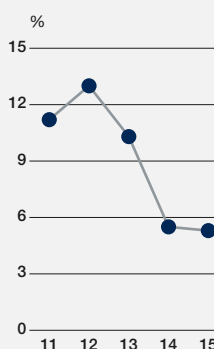
Order bookings



Sales



Operating margin



ADMINISTRATION REPORT

BUSINESS AREA ELECTRONIC DEFENCE SYSTEMS

The business is built on Saab's close interaction with customers that require efficient solutions for surveillance and for threat detection, localisation and protection. The business area has a product portfolio covering airborne, land-based and naval systems for radar, signals intelligence and self-protection.



SERVICES AND SOLUTIONS

- The surface radar family Giraffe for air and maritime surveillance, the weapon locating system Arthur.
- Self-protection systems that warn of threats and protect aircraft, helicopters, vehicles and vessels, including IDAS, BOL, STL and LEDS.
- Signals intelligence (SIGINT) systems that provide real-time situational awareness to localise and identify threats.
- Airborne surveillance systems, AEW&C (Airborne Early Warning & Control) for defence and civil security.

Electronic Defence Systems includes the following business units: Surface Radar Solutions, Airborne Surveillance Systems, and Electronic Warfare Systems. As of 1 January 2016, the business units Traffic Management and Combat System and C4I Solutions are included in the business area.

ORDERS RECEIVED

Order bookings in 2015 included an order for an airborne surveillance system from the United Arab Emirates valued at SEK 5.6 billion, an order of SEK 1.7 billion related to the Brazilian government's order for Gripen, and an order for an integrated air defence system from the Indian Armed Forces.

The UK Ministry of Defence ordered additional Giraffe AMB radar systems plus upgrades of its existing systems and associated equipment.

Orders received with a total value exceeding MSEK 100 represented 84 per cent (42) of total order bookings.

SALES, INCOME AND MARGIN

Sales increased and the operating margin improved in 2015 compared to 2014 mainly because revenue from preparatory work related to the UAE's order for an airborne surveillance system was recognised as the contract was signed.

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

CASH FLOW

Operational cash flow was negative in 2015 due to timing differences in project activity and milestone payments in large projects and continued high investments in product development.

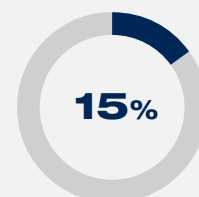
EMPLOYEES

The number of employees was in line with the previous year.

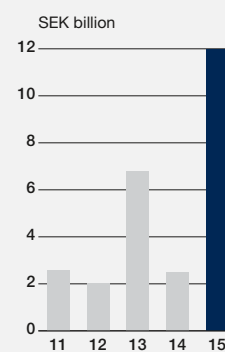
Key figures

MSEK	2015	2014
Order bookings	11,982	2,484
Order backlog	14,005	6,365
Sales	4,132	4,052
EBITDA	642	625
EBITDA margin, %	15.5	15.4
Operating income, EBIT	221	211
Operating margin, %	5.3	5.2
Operational cash flow	-295	-589
No. of employees (FTE)	2,180	2,190

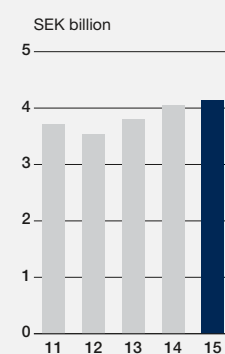
Share of sales 2015



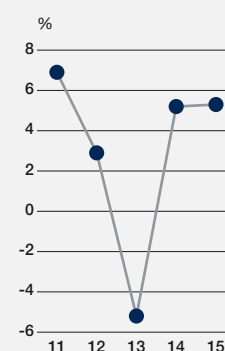
Order bookings



Sales



Operating margin



ADMINISTRATION REPORT

BUSINESS AREA SECURITY AND DEFENCE SOLUTIONS

Operations comprise combat management systems for the navy, air force and army as well as the design, construction and maintenance of submarines and surface vessels. The portfolio also includes systems for training and simulation, security systems, solutions for secure communication, and systems for maritime and air traffic management.



SERVICES AND SOLUTIONS

- Design, construction and maintenance of submarines and surface vessels.
- Combat management systems based on 9LV for navies as well as air forces and armies.
- Systems for virtual and live training mainly for armies but also for navies and air forces.
- Traffic management systems for maritime, seaport and airport applications, including landing and security systems as well as traffic control tower solutions.
- Security and case management systems for prisons, airports, police and ambulance services.

As of 1 January 2016, Security and Defence Solutions has been dissolved and its business units have been distributed among the business areas:

- Traffic Management and Combat Systems and C4I Solutions becomes part of business area Electronic Defence Systems.
- Training and Simulation becomes part of business area Dynamics.
- Critical Systems & Communication Solutions becomes part of business area Support and Services.
- The business unit Saab Kockums will report as a standalone operating segment.

ORDERS RECEIVED

In 2015, FMV ordered two Type A26 submarines and a mid-life upgrade for two Gotland-class submarines with a total order value of SEK 8.6 billion during the period. A contract was signed with FMV for yearly overhaul and modification of two of the Swedish Navy's corvettes.

Orders received with a total value exceeding MSEK 100 represented 73 per cent (47) of total order bookings.

SALES, INCOME AND MARGIN

Sales increased in 2015 mainly due to the acquisition of Saab Kockums.

The operating margin was at a lower level in 2015 due to a challenging market and delayed procurements in Training and Simulation and Critical Systems & Communication Solutions. Saab Kockums generated strong operating income in 2015.

Markets outside Sweden accounted for 57 per cent (73) of sales.

CASH FLOW

Operational cash flow was positive in 2015 due to timing differences in project activity and milestone payments mainly within Saab Kockums.

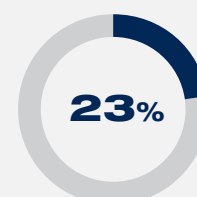
EMPLOYEES

The number of employees decreased in 2015 compared to year-end 2014 due to continuous adjustments made to the business.

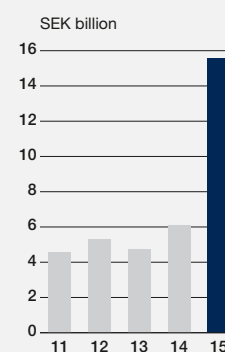
Key figures

MSEK	2015	2014
Order bookings	15,651	6,110
Order backlog	16,056	6,823
Sales	6,387	5,762
EBITDA	470	468
EBITDA margin, %	7.4	8.1
Operating income, EBIT	336	356
Operating margin, %	5.3	6.2
Operational cash flow	1,096	157
No. of employees (FTE)	3,054	3,234

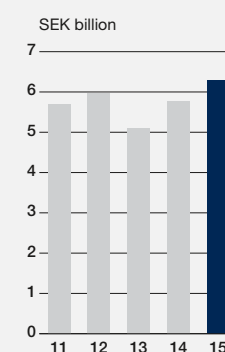
Share of sales 2015



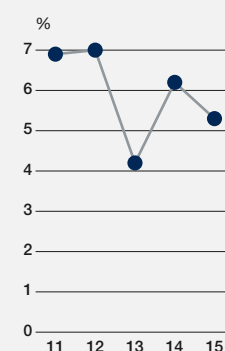
Order bookings



Sales



Operating margin



ADMINISTRATION REPORT

BUSINESS AREA SUPPORT AND SERVICES

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



SERVICES AND SOLUTIONS

- Customised support solutions in all areas – over the product's entire life cycle.
- Supplies everything from individual spare parts to availability-based commitments.
- Technical services, maintenance and repair work.
- Products and integration for airborne surveillance systems, CBRN solutions, military avionics and field solutions.

Support and Services includes the following business units: Air, Land, Maintenance Repair Operations, Life Cycle Logistics and Airborne ISR. As of 1 January 2016, the business unit Critical Systems & Communication Solutions is included in the business area.

ORDERS RECEIVED

Order bookings rose in 2015 compared to 2014 mainly due to an order for an airborne surveillance system from the United Arab Emirates, where SEK 4.0 billion was attributable to Support and Services, and the Brazilian government's order for Gripen NG, where SEK 2.1 billion was related to Support and Services. In addition, the volume of small and medium-sized orders was strong.

Orders received with a total value exceeding MSEK 100 represented 77 per cent (58) of total order bookings.

SALES, INCOME AND MARGIN

Sales increased and the operating margin improved in 2015 mainly because revenue from preparatory work related to the UAE's order for an airborne surveillance system was recognised

as the contract was signed. Consistent invoicing on small and medium-sized projects contributed as well.

Markets outside Sweden accounted for 59 per cent (37) of sales.

CASH FLOW

Operational cash flow was negative in 2015 mainly due to timing differences in project activity and milestone payments during the year.

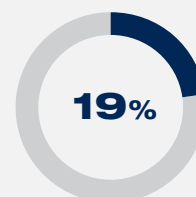
EMPLOYEES

The number of employees was unchanged compared to the previous year.

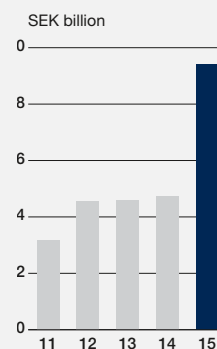
Key figures

MSEK	2015	2014
Order bookings	9,417	4,720
Order backlog	12,053	7,976
Sales	5,345	3,570
EBITDA	596	394
EBITDA margin, %	11.2	11.0
Operating income, EBIT	578	376
Operating margin, %	10.8	10.5
Operational cash flow	-513	-32
No. of employees (FTE)	1,825	1,818

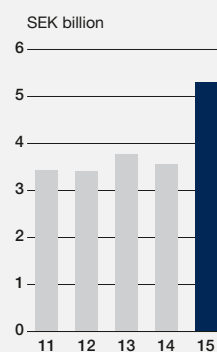
Share of sales 2015



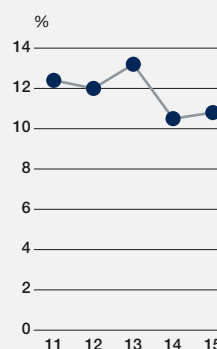
Order bookings



Sales



Operating margin



ADMINISTRATION REPORT

BUSINESS AREA INDUSTRIAL PRODUCTS AND SERVICES

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



SERVICES AND SOLUTIONS

- Technical consulting services to customers in industry, defence and the public sector through the independent subsidiary Combitech. The company offers a broad range of services, with cutting-edge expertise in cyber security, the Internet of things and R&D Excellence.
- Subcontractor of parts such as wing flaps and doors for commercial aircraft manufacturers such as Boeing and Airbus.
- Critical systems and components such as computers, display systems and actuators for demanding environments for aircraft and helicopters.
- The minority portfolio gathers together and develops product ideas that derive from development projects but fall outside the core business. Industrial Products and Services also invests in small, fast-growing companies that could eventually complement the core portfolio.

Industrial Products and Services include the following business units: Aerostructures, Avionics Systems and the independent consulting firm Combitech. The minority portfolio includes the interests in Vricon Inc, UMS Skeldar AG, Cold Cut Systems AB, C-leanship AS, Minesto AB, Revibe Energy AB and WRAP International AB.

ORDERS RECEIVED

Order bookings increased in 2015 mainly because the business unit Avionics Systems received orders within the framework of the Brazilian government's order for Gripen NG.

Orders received with a total value exceeding MSEK 100 represented 30 per cent (22) of total order bookings.

SALES, INCOME AND MARGIN

Sales increased slightly in 2015 compared to 2014 mainly due to additional deliveries within the business unit Aerostructures and positive development for the business unit Avionics Systems and the technical consulting company Combitech.

Markets outside Sweden accounted for 45 per cent (46) of sales.

The operating margin improved in 2015 compared to 2014 due to improvements in operating income in Avionics Systems and the holding in Saab Ventures. In May, Saab and DigitalGlobe Inc., a leading global provider of high-resolution earth imagery solutions, announced the creation of a joint venture, Vricon Inc.

CASH FLOW

Operational cash flow was negative in 2015 mainly due to a high rate of project activity in connection with preparations for upcoming deliveries within Aerostructures.

EMPLOYEES

The number of employees was unchanged compared to the previous year.

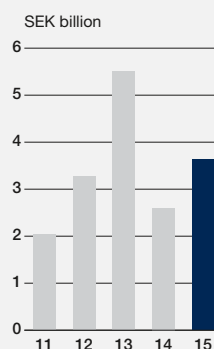
Key figures

MSEK	2015	2014
Order bookings	3,632	2,604
Order backlog	9,587	9,537
Sales	3,562	3,465
EBITDA	260	143
EBITDA margin, %	7.3	4.1
Operating income, EBIT	213	112
Operating margin, %	6.0	3.2
Operational cash flow	-15	-320
No. of employees (FTE)	2,381	2,370

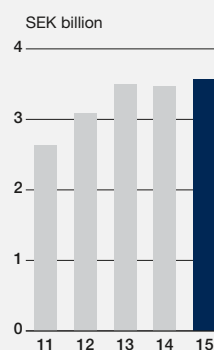
Share of sales 2015



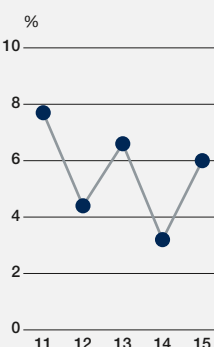
Order bookings



Sales



Operating margin



ADMINISTRATION REPORT

OTHER SIGNIFICANT EVENTS

OTHER SIGNIFICANT EVENTS DURING THE PERIOD JANUARY-DECEMBER 2015

- In January 2015, Saab signed a revolving credit facility of SEK 4 billion with an initial term of five years and an option to extend the term by one plus one year. This was done to refinance the existing facility maturing in 2016 and to be used for general corporate purposes.
- Saab teamed with Dutch shipbuilder Damen Shipyards Group to explore future opportunities in the international submarine market.
- The Annual General Meeting on 15 April 2015 resolved to re-elect all members of the Board of Directors: Håkan Buskhe, Johan Forssell, Sten Jakobsson, Sara Mazur, Per-Arne Sandström, Cecilia Stegö Chilò, Lena Treschow Torell, Marcus Wallenberg and Joakim Westh, and to re-elect Marcus Wallenberg as Chairman of the Board.
- The Annual General Meeting 2015 resolved to re-elect PricewaterhouseCoopers AB as auditor until the close of the Annual General Meeting 2019.
- Saab and Embraer signed an agreement that establishes a partnership for joint management of the F-X2 project for the Brazilian Air Force. The partnership agreement is part of Saab's commitment to deliver industrial co-operation in relation to the project. Embraer will have a leading role in the Gripen programme and will undertake an extensive share of the production and delivery of both the single- and two-seat versions of the Gripen NG, Brazil's next-generation fighter jet.
- In April, Saab AB signed a revolving credit facility of SEK 2 billion maturing on 15 January 2020 and with an option to extend the term by one plus one year. The facility strengthens Saab's financial flexibility and will be used for general corporate purposes.
- Since April, air traffic control at Örnsköldsvik Airport is handled using Remote Tower Services from the LFV Remote Tower Center in Sundsvall.
- In September, Saab increased the existing Medium Term Note programme (MTN) from SEK 3 billion to SEK 6 billion.
- In October, Saab issued 3-year loans under the existing MTN programme of MSEK 350 with maturity on 10 December 2018. The total size of the MTN programme is SEK 6 billion and Saab has now issued SEK 4.15 billion in bonds.
- In October, Saab announced changes to its business area structure and within the Group Management. Business area Security and Defence Solutions was dissolved as of 1 January 2016 and its business units were transferred to other business areas.
- In December, Saab and UMS Aero Group AG, a Swiss supplier of tactical unmanned aerial vehicles (UAVs), formed a joint venture under the name UMS Skeldar AG. Saab is transferring all assets relating to the Skeldar unmanned helicopter to UMS Skeldar.
- Saab signed Schuldschein loan agreements of MEUR 100 in December 2015. The total loans amount to MEUR 100, of which MEUR 23 was settled in the fourth quarter 2015 and MEUR 77 in the first half-year 2016.

SIGNIFICANT EVENTS AFTER THE CONCLUSION OF THE PERIOD

- In January 2016, Saab signed a contract for the production and delivery of ammunition for the Carl-Gustaf man-portable weapon system. The total order value is approximately SEK 1.4 billion. Deliveries will take place during 2016–2019.



ADMINISTRATION REPORT

RISKS AND RISK MANAGEMENT

Saab has business operations around the world and projects delivered over long periods of time. Many projects entail high-tech development and product refinement. In addition, Saab runs various research and innovation programmes and offers technology transfers as part of its business.

All businesses entail risk. Saab's operations primarily involve the development, production and supply of technologically advanced hardware and software to customers around the world. The risks described in the annual report are the risks that Saab considers most material to its business. Each of these risks can have a significant impact on the company's operations.

The key risk areas are market risks as well as political, financial and operating risks.

Risk management

Significant identified risks are managed continuously at all levels of the organisation and in the strategic planning process. Control processes in the form of guidelines, policies and tools govern the management of risks. Saab's internal audit unit is responsible for independently reviewing the effectiveness of a sample of internal control processes each year. Risks are also managed by procuring insurance. Saab has a Group-wide programme where insurance is obtained on the market or through the Group's own insurer, Lansen Försäkrings AB.

MARKET RISKS

Regulations can change and adversely affect Saab's business and growth opportunities

The ability to establish and maintain long-term customer relationships is vital for Saab, as some projects extend over decades. The sale of defence materiel, which represents the large part of Saab's sales, 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. In Saab's case, it is closely affected by Sweden's defence policy and regulations on the export of defence materiel. The risk to Saab's business is that laws, regulations or ordinances are amended in a way that impacts Saab's relationship with a customer.

The Swedish state – through the Armed Forces and FMV – has traditionally accounted for a large percentage of Saab's product renewal. As Saab's business outside Sweden grows, the share of product development conducted collaboratively with nations other than Sweden is increasing. In spite of this, Saab expects Sweden to account for the largest share of its development expenditures for many years to come. In 2015, development of products and systems together with customers corresponded to 19 per cent of sales.

Market risks can affect a customer in a way that it cannot fulfil its current contracts

Natural disasters, economic crises, shifts in political power, and embargos are examples of market risks that could adversely impact Saab's customers in such a way that the delivery schedule for a project changes, the details of a project change, or the customer lacks the ability to fulfil the agreement. This could mean that Saab does not get paid for products and systems it has delivered or that the company has to break off a project after major investments have already been made. A large share of Saab's order backlog contains contracts with an order value over SEK 1 billion which will be delivered over many years. Consequently, the impact on Saab could be significant if a major contract is broken or amended and renegotiated.

Management of market risks

By monitoring legal developments, Saab ensures that it always has access to information on changes that are being made or could be made in the future. In this way Saab can adapt its business to the changes that are made.

Saab also manages market risks through various types of export guarantees, insurance solutions and other instruments. It is impossible, however, to completely avoid losing business opportunities or incurring damage if market 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 the Saab Pension Fund. Detailed directives and processes are in place for the operational management of each area related to financial risks. Overarching responsibility for managing financial risks lies with Group Treasury.

Financial risks		
Risk	Foreign currency risks Interest rate risks Liquidity and refinancing risks Credit and counterparty risks Commodity risks	Pension obligation
Risk management	Management of financial risks is governed by a Group Treasury Policy established by the Board of Directors. See note 38 for further information.	See below

Pension obligations

The Group's pension obligations are substantial, as indicated in note 34. To calculate the pension obligations, future obligations are discounted to present value. The size of the liability depends on assumptions regarding discount rate, inflation and life expectancy.

Management of pension liability

The predominant plan in Sweden is the ITP plan under the collective agreement between the Confederation of Swedish Enterprise and the Negotiation Cartel for Salaried Employees in the Private Business Sector (PTK). Saab Sweden has three different ways to secure its defined-benefit plans: as liabilities on the balance sheet, in pension funds or funded through insurance mainly with Alecta. The Saab Pension Fund, which secures part of the ITP plan, had assets of MSEK 5,316 (5,091) as of 31 December 2015, compared to an obligation of MSEK 7,019 (7,428) according to IAS 19, or a solvency margin of 76 per cent (69).

The Saab Pension Fund was established in 2006 and capitalised with the corresponding PRI liability. Actuarial calculations of the Group's obligations are performed each year, which are then compared to the fund's assets. Deficits may require Saab to contribute additional funds. The objective of the Saab Pension Fund is a real annual return on invested capital of at least 4 per cent. 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.

Development and introduction of new systems and products

Saab invests heavily in the research and development of its own products and systems as well as acquisitions of technology. Its own systems mainly include radar and sensor systems, command and control systems, tactical weapons, and electronic warfare systems. Certain technologies are developed in partnership with other companies. One major investment in this area is Saab's collaboration with Boeing to bid for the US Air Force's new jet trainer as part of the so-called T-X programme. One example of an acquired technology is the technology obtained through the acquisition of Saab Kockums in 2014. Investments in new systems and products are made after a strategic and financial analysis and assessment of future business opportunities. The risk in developing and introducing new systems and products is that they do not live up to the market's demands and therefore do not generate the expected return when the investment decision was made or that the products were timed wrong in relation to demand. Due to long development cycles, changes in the market can mean that demand no longer exists or looks different when products are ready to be offered to the market.

Management of development and introduction of new systems and products

In 2015, Saab standardised its offering by packaging products in the product database, which was launched in 2013. The database is linked to Saab's Customer Relationship Management (CRM) system and provides sales support for the global marketing organisation. Good packaging also reduces design costs. During the year, Saab further improved efficiencies in product development through modularisation. With a modular design, new models can be developed continuously and cost efficiently, and new customer requirements can be met more quickly and at lower cost. One example is that Saab develops sensor systems where modularisation allows the same technology and cornerstones to be used in several different products.

To reduce risk in the development of new products, it is critical to identify a first customer early on. In 2015, Saab tightened its requirement that a first customer be clearly identified prior to any decision to invest in development. Development costs are capitalised in accordance with established accounting principles which are described in note 17. 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.

Long-term customer contracts

Management of long-term customer contracts entails risks. Saab's operations involve complex development projects on the leading edge of technology where the competitive environment is complex. Our success depends on the ability to offer cost-efficient high technology solutions and 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 contracts is that Saab will be unsuccessful in implementing or delivering in accordance with the customer's requirements, as a result of which the commitment is not fulfilled or the costs run significantly higher.

Management of long-term customer contracts

The majority of all long-term customer projects involve significant development work, which is associated with risk. Before a contract is signed with a customer to supply a product, solution or service, it is always preceded by a thorough analysis of the conditions and risks associated with delivery based on Saab's internal quality assurance process – Win Business. This includes a comprehensive analysis of the risks in the project and requirements for managing the identified risks.

In 2015, Saab further improved the process. Continuous reviews are performed at various stages of each project, including design reviews, project reviews and decision reviews. An important element is to identify and assess risks and the measures taken to mitigate the risks with the help of a uniform risk assessment process. The Group applies the percentage of completion method to recognise revenue from long-term customer contracts. An estimation of total costs, including estimation of technical and commercial risks, is critical to revenue recognition. Changed estimations can impact the income statement, provisions for project losses and inventories. This process was strengthened in 2015 by stronger linking of Win Business to Saab's internal control process for financial reporting. The company now systematically reviews the various parts of each project and verifies that all decisions in the process have been made in the right way, that the material has been prepared in accordance with requirements and that the assessment of the business opportunities is accurate.

In 2015, Saab entered into three major projects: Gripen to Brazil, the sale of an airborne surveillance system to the United Arab Emirates and a contract from FMV to build two Type A26 submarines. When combined with major orders received in earlier years, this produced a record-high order backlog dominated by major projects. It is essential therefore that Saab focus on implementing these major projects according to schedule and according to the customer's requirements.

Environmental risks and liabilities

Saab has worked diligently to reduce its environmental and climate impacts. The company works actively with research and development collaborations on sustainable solutions to reduce such impacts and to phase out hazardous chemicals. 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 issues, risks and liabilities, see note 45.

ADMINISTRATION REPORT

RISKS AND RISK MANAGEMENT

Management of environmental risks and liabilities

Saab's business areas produce annual plans on the phase-out of hazardous substances in their operations. These strategic plans provide a benchmark for Saab's phase-out projects and to monitor compliance. The operations in Linköping and Karlskoga, Sweden, are subject to Europe's Seveso law, which is designed to reduce risks in connection with the large-scale use of chemicals. Against this backdrop, Saab has introduced strict routines for risk assessment, supervision and control of chemicals. Established routines for safe chemical handling are also used in other Saab locations. A Group-wide chemical data system with health and environmental information was introduced in 2015.

Several projects are underway to replace pigments that contain chromates as well as cadmium and lead in specific designs. For example, Saab launched a new surface treatment process in 2015 to replace chromates and a new cleaning facility to phase out trichloroethylene.

The company also works with demand specifications, training and communication with its suppliers and other companies in the defence and security industry to reduce the use of hazardous chemicals and the risks in handling them. Saab actively participates in several associations, nationally and internationally, to enhance efforts in this area. In 2015, several activities were initiated to address the anticipated prohibition on the use of certain hazardous chemicals according to the REACH chemical regulation.

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.

Integration of Saab's environmental requirements at Saab Kockums continued in 2015.

The company analyses its operations and properties around the world to assess risk exposure from soil contamination. If a contaminated area is identified, liability is determined and an overall risk assessment is conducted; if necessary, remediation actions are taken. Information on contaminated areas is documented as it is received. An insurance solution to manage soil contamination cases has been in place since 2009. In 2015, two comprehensive status reports were produced and remediation actions were taken in Eskilstuna, Karlskoga, Motala and Östersund at a cost of approximately MSEK 7.

Overall risk assessments are made to determine how operations are affected by climate change. These risks are reported within the framework of the Carbon Disclosure Project (CDP). For more information on CDP, see www.cdp.net.

Compliance risks

Saab has clear guidelines on how to act in contacts with customers, suppliers, partners and society. Saab has relationships with customers and other stakeholders on every continent. Its commitment is to act in an ethically correct manner in everything the company does based on current legislation, the Code of Conduct and industry standards. Saab has zero tolerance for corruption and clearly defined internal processes to prevent corruption risks. The company strives to be a consistent and reliable business partner and promote an open and transparent market. The risk involved when the company does business is that it breaks this commitment.

Management of compliance risks

Saab's Code of Conduct is based on the OECD's guidelines and the UN Global Compact. All employees receive Code of Conduct training. In 2015, Saab conducted a review of the Code of Conduct and launched a special code for suppliers. Saab also reviewed internal rules on gifts, entertainment and sponsorships. In addition to training in Saab's Code of Conduct, all employees participate in a web-based anti-corruption training programme designed to reflect the risks that arise in Saab's operations, available in English and Swedish. By year-end 2015 more than 9,500 employees had completed the training.

A cornerstone of Saab's compliance work is that every business transaction and market activity must be preceded by a corruption analysis. To make it easier for all employees to perform the analysis, Saab has developed a Corruption Risk Assessment Tool to single out factors that typically influence corruption risks. All employees in the marketing and sales organisation receive training on the importance of the requirement that business managers perform a corruption risk assessment in connection with every business transaction. The training also covers current laws and Saab's processes for hiring consultants and other advisors. Starting in autumn 2013 an audit was conducted to broaden the target group to include employees from other parts of the organisation such as Project Management, Commercial and Procurement. This resulted in the inclusion of another 300 employees in the target group. This training will continue in 2016.

Use of marketing consultants and other advisors is customary in a complex market. At Saab, every co-operation is tested, evaluated and endorsed centrally. A clear defined decision-making process is followed, and every decision is preceded by a thorough analysis. Saab also provides training for the marketing consultants it retains. Completing this training and signing a commitment to follow Saab's guidelines are prerequisites for signing a new contract. In 2015, Saab implemented a programme where each year internal audit reviews a number of randomly selected business relationships to verify compliance with the process and ensure that the counterparty is acting in line with Saab's values.

Saab introduced a new whistleblower system in the first quarter of 2015. The system complements standard line reporting and allows reporting online and by telephone. It is administered by an outside party and guarantees anonymity.

In 2016, Saab will conduct special training in business ethics for the procurement organisation and assess integration of the company's ethical rules in the Global Management System (GMS).

Information security risk

Knowledge, information and intellectual assets are of vital importance to Saab's competitiveness, as are well-functioning IT systems, networks and efficient communication. Saab handles information that is vital to its customers and in many cases to their national security. Consequently, maintaining and continuously improving information and IT security is critical if Saab is to achieve its business goals.

The security risk for Saab is that information will fall into the wrong hands because it is handled incorrectly or someone obtains access to it by breaking into Saab's information management system.

Management of information security risk

To prevent risks in information security, Saab works with a set of administrative and technological protections that include clearly defined rules, processes, routines and technical solutions for information, IT and communication security. Continuous, systematic information and IT security is critical for Saab to stay competitive and profitable and maintain the confidence of a challenging market.

The goal of Saab's overarching security strategy is to be a leader in corporate security and management of security risks. The focus in 2015 was on protecting critical information and communication against sophisticated threats.

Saab introduced a comprehensive programme during the year to create a stronger Group-level information and IT security strategy to meet security challenges today and in the future. The programme contains a number of projects to categorise the company's most valuable assets, identify threats and vulnerabilities, evaluate risks, and create action plans to modernise and enhance IT security and adapt information security.

Despite the usual technical vulnerabilities, people are usually the weakest link in the system. To ensure that they handle information in accordance with current regulations, all new personnel undergo security training when hired. During the year, information security training was expanded, and as an element in Saab's efforts to increase its employees' security awareness, several new programmes were developed during the year.

SIGNIFICANT RISKS		
Political and market risks	Financial risks (See note 38)	Operating risks
Export regulation Macroeconomic factors	Foreign currency risks Interest rate risks Liquidity and refinancing risks Credit and counterparty risks Commodity risks Pension obligation	Develop and introduce new systems and products Long-term customer projects Environmental risk and liabilities Compliance risks Information handling risks

ADMINISTRATION REPORT

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 the employees' interaction with one another as colleagues. Saab's Code of Conduct is a part of the governance of Saab. For further information, see Saab's Sustainability Report.

Swedish Code of Corporate Governance

Since it has shares that are traded on Nasdaq Stockholm and 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 2015. Saab's website, www.saabgroup.com, has a special section 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.

Saab did not deviate from the provisions of the Code in 2015.

① SHAREHOLDERS' MEETING AND OWNERSHIP STRUCTURE

Pursuant to the Swedish Companies Act, the Shareholders' Meeting is a company's highest decision-making body. 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 voted on relating to the annual report, dividend, election of Board members, 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 Annual General Meeting 2015 was prepared and held in accordance with the Code, and Annual General Meeting 2016 will also comply with the provisions of the Code. The Annual General Meeting of Saab was held on 15 April 2015 in Stockholm and attended by 546 shareholders, representing approximately 71 per cent of the total voting rights in the company. This year the Annual General Meeting will be held on 14 April 2016 in Linköping. For more information, see page 117.

On 31 December 2015, 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 59 for more information. As of 31 December 2015, Saab held 3,193,279 of its own Series B shares, corresponding to 2.9 per cent of the share capital. For more information on the ownership structure, see page 32.

LARGEST SHAREHOLDERS, 30 DECEMBER 2015

Source: Modular Finance	Share of capital, %	Share of votes, %
Investor AB, Sweden	30.0	40.6
Wallenberg Foundations, Sweden	8.7	7.7
Swedbank Robur Funds, Sweden	7.4	6.5
AFA Insurance, Sweden	6.0	5.3
Unionen, Sweden	2.7	2.4
Handelsbanken Funds, Sweden	2.2	1.9
DFA Funds, Sweden	1.5	1.3
Lannebo Funds, Sweden	1.3	1.1
Nordea Funds, Sweden	1.2	1.1
SEB Funds, Sweden	0.9	0.8

② NOMINATION COMMITTEE

According to the Nomination Committee process adopted at the Annual General Meeting in 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 Nomination Committee process, the Nomination Committee shall provide proposals on 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
- The election of auditors, if applicable, and
- The fees paid to Saab's auditors.

Ahead of Saab's Annual General Meeting on 14 April 2016, it was announced in a press release on 9 October 2015 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 Algotsson (AFA Insurance). Petra Hedengran is Chairman of the Nomination Committee.

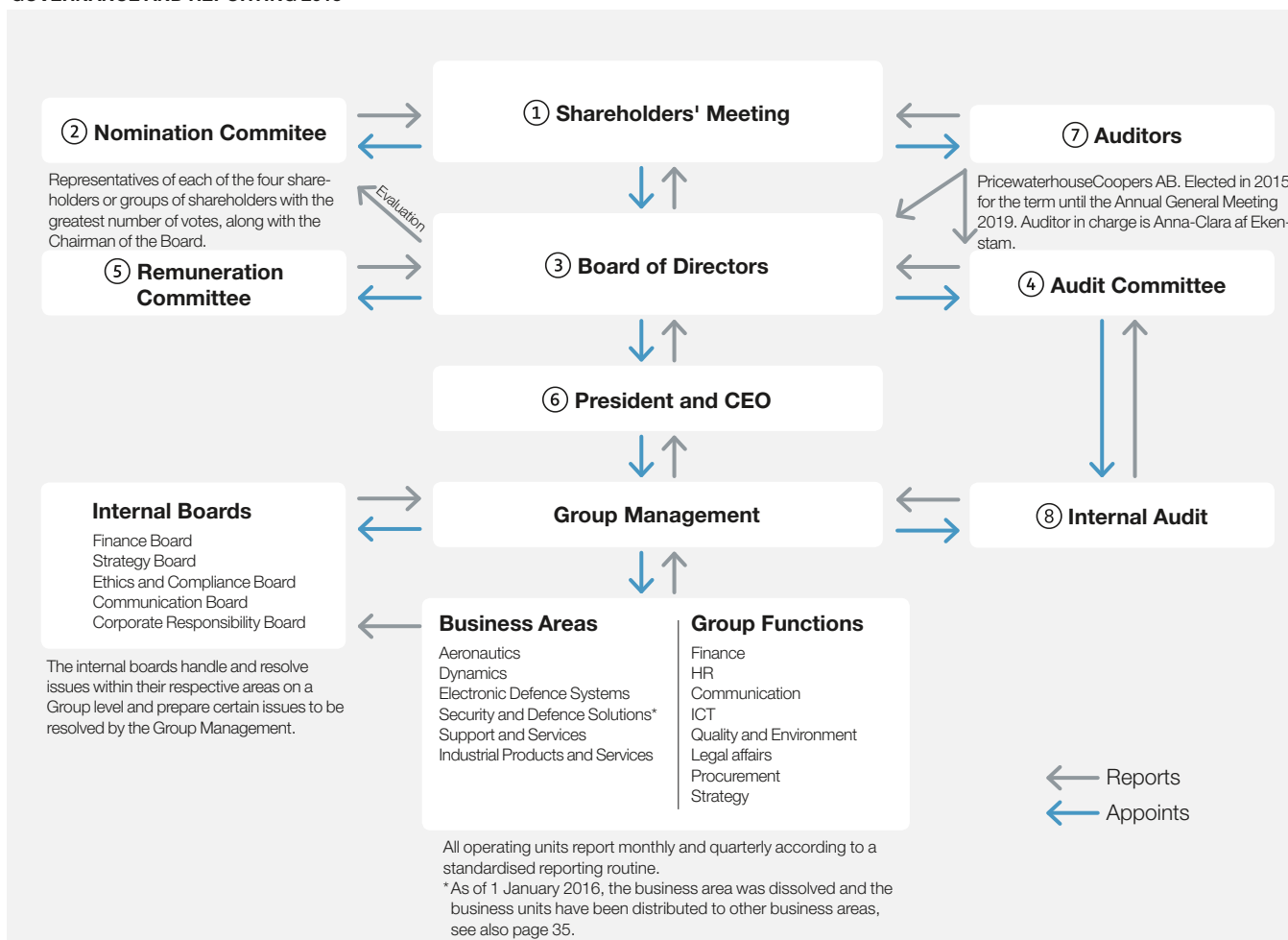
These persons in the aggregate represent approximately 58 per cent of the votes in Saab based on the ownership structure as of 31 August 2015.

The proposal of the Nomination Committee will be presented not later than in connection with the notice of the Annual General Meeting 2016.

MEMBERS OF THE NOMINATION COMMITTEE FOR ANNUAL GENERAL MEETING 2016

Member	Representing	Share of votes, % 31 Aug, 2015	Share of capital, % 31 Aug, 2015
Petra Hedengran	Investor AB	39.5	30.0
Peter Wallenberg Jr	Knut and Alice Wallenberg Foundation	7.6	8.7
Tomas Hedberg	Swedbank Robur Funds	6.8	7.9
Anders Algotsson	AFA Insurance	4.6	5.3
Marcus Wallenberg	Chairman of the Board of Saab AB		

GOVERNANCE AND REPORTING 2015



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. The Board members are elected annually by the Shareholders' Meeting. According to the resolution of the Annual General Meeting on 15 April 2015, Saab's Board of Directors shall consist of nine members elected at the Annual General 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 15 April 2015, Håkan Buskhe, Johan Forssell, Sten Jakobsson, Sara Mazur, Per-Arne Sandström, Cecilia Stegö Chilò, Lena Treschow Torell, Marcus Wallenberg and Joakim Westh were re-elected. 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. Among the Board members, only the President Håkan Buskhe is employed by the company.

Information on remuneration to the members of the Board as resolved by the Annual General Meeting 2015 is set forth in note 10.

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, shareholdings etc. are set forth in the presentation of the Board of Directors on pages 54–55.

Employee representatives

Regulars	Deputies
Stefan Andersson	Göran Gustavsson
Catarina Carlqvist	Jan Kovacs
Conny Holm	Nils Lindskog

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 2015

Member	Elected	Independent of the company/management	Independent of major shareholders
Marcus Wallenberg	1992	Yes	No ¹⁾
Håkan Buskhe	2011	No ²⁾	Yes
Johan Forssell	2010	Yes	No ³⁾
Sten Jakobsson	2008	Yes	Yes
Sara Mazur	2013	Yes	Yes
Per-Arne Sandström	2005	Yes	Yes
Cecilia Stegö Chilò	2010	Yes	Yes
Lena Treschow Torell	2005	Yes	No ⁴⁾
Joakim Westh	2010	Yes	Yes

¹⁾ Member of Investor AB's Board.

²⁾ President and CEO of Saab.

³⁾ Member of Investor AB's Board and CEO of Investor AB.

⁴⁾ Member of Investor AB's Board.

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 whenever circumstances demand. During 2015, the Board held one statutory meeting, eight ordinary meetings and two extraordinary meetings, for a total of eleven meetings. All of the Board meetings in 2015 were held in Stockholm. In December, the Board visited Saab Medav Technologies in Germany and Saab Technologies (formerly HITT) in the Netherlands.

The Board annually adopts rules of procedure, an instruction on the allocation of work between the Board and the President, 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 President 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, and between the Board and the President. The instruction for the President sets out the President's duties and authority, including matters which require a Board resolution. The instruction also includes policies on investments, financing and reporting.

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 the meetings, the Board Members receive documentation and supporting material for the issues on the agenda. At each Board meeting the President presents a Market and Operations Report. A financial report is presented at each Board meeting and addressed in detail before the publication of the interim reports and year-end report. The Board regularly reviews and 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. During 2015, the Board particularly worked on the contract with the United Arab Emirates to supply a new, advanced airborne surveillance system, and as in 2014 set aside time for the contract with Brazil on Gripen NG and issues related to Gripen E to Sweden. During the year, the Board also worked with other key export and marketing strategies as well as the company's ethical standards. In 2015, the Board adopted an updated Code of Conduct and was informed of the work on the company's Sustainability Report.

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 resolves any issues where the committees have prepared matters for resolution by the Board.

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 ultimate resolution by the Board. The Audit Committee has certain limited decision-making power. For example, the Committee has established guidelines for services other than auditing that the company may procure from its 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 its management as well as of the major shareholders. All members of the committee have accounting or auditing competence. The General Counsel, Annika Bärems, was Secretary to the Audit Committee during 2015.

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 management in respect of the financial reporting, keep informed of the audit of the annual report and consolidated accounts, review and monitor the auditors' neutrality and independence, and assist the Nomination Committee in preparing



Saab's Board of Directors on a visit to the traffic management centre at the Port of Rotterdam.

proposals for the Shareholder Meeting's election of the auditors. In addition, the Audit Committee annually monitors and evaluates the effectiveness and appropriateness of the company's business ethics programme, including the Code of Conduct, as well as keeps informed of material deviations or non-compliance with the company's ethical standards, 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 2015, the Audit Committee focused on current issues involving the company's financial position, financial reporting, budget, internal control, the updated Code of Conduct and questions related to the company's ethical standards. The Audit Committee also assisted the Nomination Committee ahead of the election of auditors at the Annual General Meeting 2015.

The Audit Committee keeps minutes of its meetings, which are distributed to the other members of the Board. In 2015, 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: Marcus Wallenberg, Sten Jakobsson and Lena Treschow Torell. Lena Treschow Torell is Chairman of the committee. All the members are independent of the company and its management. The General Counsel, Annika Bärems, was Secretary to the committee during 2015.

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 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 President are prepared by the Remuneration Committee and adopted by the Board. The Remuneration Committee is responsible for the interpretation and application of the remuneration guidelines for senior executives. The Remuneration Committee has no decision-making powers of its own. During 2015, the Remuneration

Committee was particularly involved in issues related to the company's long-term incentive programmes, including proposals for minimum and maximum levels for each performance target in the company's Performance Share Plan.

The Remuneration Committee keeps minutes of its meetings, which are distributed to the other members of the Board. In 2015, 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 on how well the Board and its work are functioning. The results are compared with previous years and discussed at the Board's meeting in December. The questionnaire consists of six parts covering the breadth of competence represented by the Board, how the work is performed, the Chairman, the Board's composition, the co-operative atmosphere and areas of improvement. 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 for the composition of the Board.

The Board continuously evaluates the President's work by monitoring the company's results in relation to established objectives. Moreover, the Board has evaluated the President's work by responding to a questionnaire about the President in the areas of performance, organisation, people and leadership. The President does not participate in this evaluation.

6 THE PRESIDENT

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 and the Group Management; see pages 54–56. 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 pages 57–59.

ATTENDANCE AND BOARD REMUNERATION IN 2015

Name	Audit Committee	Remuneration Committee	Board meetings attended ¹⁾	Committee meetings attended ²⁾	Board remuneration KSEK ³⁾	Audit Committee remuneration KSEK	Remuneration Committee remuneration KSEK	Total remuneration KSEK
Marcus Wallenberg		x	11	3	1,400		80	1,480
Håkan Buskhe			11					
Johan Forssell	x		9	5	550	120		670
Sten Jakobsson		x	11	3	600		80	680
Sara Mazur			11		550			550
Per-Arne Sandström	x		11	5	550	180		730
Cecilia Stegö Chilò			11		550			550
Lena Treschow Torell		x	10	3	550		135	685
Joakim Westh	x		10	5	550	120		670

¹⁾ Of a total of 11 meetings in 2015.

²⁾ Of a total of 5 meetings of the Audit Committee and 3 meetings of the Remuneration Committee in 2015.

³⁾ Refers to the fee resolved by the Annual General Meeting 2015 for the period until the Annual General Meeting 2016. The President Håkan Buskhe does not receive a fee.

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 President, and also carries out the statutory audit of the Corporate Governance Report. In addition, the Q1, Q2 and Q3 interim reports have been reviewed by the auditor. The auditor also presents an Auditors' Report to the Annual General Meeting.

The Shareholders' Meeting elects the auditors. PricewaterhouseCoopers AB was the firm re-elected as the new 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 2019.
- Anna-Clara af Ekenstam, Authorised Public Accountant, Auditor in charge as of the end of September 2015. Other audit assignments: Svenska Cellulosa Aktiebolaget SCA, Knowit AB.
- Håkan Malmström, Authorised Public Accountant, Auditor in charge during the period January – the end of September 2015.

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 independent position of the auditor is maintained, including by staying informed of ongoing consulting assignments. The Audit Committee has also established guidelines for 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 performed services on behalf of the company in 2015 in addition to its audit assignments, consisting of related consultations, including on accounting and tax issues.

AUDITORS' FEES FOR THE GROUP 2014–2015

MSEK	2015	2014
Audit assignments:		
PwC	18	18
Others	2	2
Other assignments:		
PwC	4	3

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 assures the quality of the financial accounting through the Audit Committee. The entire Board of Directors reviews the interim reports before they are published. The Audit Committee follow up on the internal control of the financial reporting on a regular basis. After each meeting of the Audit Commit-

tee, 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, 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 participated in all meetings of the Audit Committee in 2015.

The Board of Directors has met with the auditor to discuss their review of the company for the financial year 2015. The Board of Directors has also on the same occasion met with the auditor while not in the presence of the President 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 strategic and financial goals by monitoring the company's risk exposure in a structured way. Internal control over financial reporting is part of all internal control processes within Saab. The framework for these processes is designed in accordance with the Committee of Sponsoring Organisations of the Treadway Commission (COSO). Internal control over financial reporting 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 legislation, 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 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. 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.

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, taxes and accounting for pensions. In addition to 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 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 communicated regularly to Saab's Audit Committee. Saab's risk assessment is also communicated regularly to Saab's external auditors.

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

THE ANNUAL ASSESSMENT PROCESS OF INTERNAL FINANCIAL CONTROLS



Group functions 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, issued Group guidelines, processes and controls. Uniform handling of financial reporting is assured by adopting and issuing Group guidelines approved by the President or by function managers appointed by the President. 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. Examples of key control activities are the approval and control of various types of accounting transactions, key indicators, log lists, account reconciliations, checklists and application controls of financial information in the IT systems that support the financial reporting.

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 track 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 the previously mentioned self-assessments to identify and test key control functions in each business process.

⑧ 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 submit assignments 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 2015

The focus in 2015 was to clarify the governance model for internal control. A clearer framework for Saab's internal control process has been created through changes in the governance model and by establishing updated Group guidelines for internal control. The focus in clarifying the governance model was on the line organisation's mandate in the internal control process. This resulted in greater transparency and an increased emphasis on internal control in the entire Group.

The updated Group guidelines on internal control require the same controls to be introduced in every part of the Group, i.e., a uniform control environment and higher degree of standardisation in control activities. The processes receiving special attention during the year were financial closing, procurement and investment, as well as the processes for tenders and project implementation.

Two self-assessments were performed in late June and late September 2015 in all the business areas as well as in the staff functions central accounts, treasury, Group accounting, tax and ICT units. The results were then followed up and reviewed by the business areas together with Group Finance and reported to the Group Management and Audit Committee.

Saab's internal control process was implemented in the business unit Saab Kockums, which was acquired in 2014.

Training in internal control and the self-assessment process was available to management and personnel around Sweden during the year.

The Group's Internal Audit unit provided support for the self-assessment process.

Focus in 2016

The focus on internal control and the self-assessment process will continue in 2016. Special emphasis will be placed on further enhancing and optimising the current internal control process. Based on what was learned in 2015, the Group guidelines for the internal control process will be adjusted and comparisons will be made internally between business units to establish best practices within the company. Furthermore, Saab will establish and follow up action plans to improve the internal control process in units where it was decided in 2015 to increase focus on internal control.

Integration of the Group's subsidiaries outside Sweden in the internal control process will continue during the year together with the business areas.

The processes monitored within the framework of internal control will be expanded in 2016 to include human resources. In addition, opportunities to automate and expand system support in the current internal control process will be reviewed.

Self-assessments will be implemented on at least two occasions and comprise all business areas and certain staff functions. The Internal Audit department will take an active role in monitoring the self-assessments and perform independent controls.

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 and Foundation Asset Management AB, Board member of AstraZeneca PLC, Investor AB, Temasek Holding Ltd and Knut and Alice Wallenberg Foundation.

Former employment and positions:

Chairman of the Board of Electrolux and LKAB; Board member of Stora Enso Oyj and EQT Holdings AB; President and CEO of Investor AB; Director of 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 2011.

President and Chief Executive Officer (CEO) of Saab AB.

Born 1963.

M.Sc., Licentiate of Engineering.

Employed 2010.

Shares in Saab: 40,853.

Other board commitments:

Board member of Vattenfall AB and Nefab AB.

Former employment and positions:

President and CEO of E.ON Nordic AB and E.ON Sweden AB; Executive Vice President, E.ON Sweden AB; Senior Vice President, E.ON Sweden AB; Chairman, Green Cargo; CEO, Land Operations, Schenker AG, Schenker North, Schenker-BTL AB, Stora, Carlsberg and CocaCola Distribution AB, Teknikföretagen; Production Director for Carlsberg Sweden.



JOHAN FORSELL

Member of the Board since 2010.

Member of Saab's Audit Committee.

President and CEO of Investor AB.

Born 1971.

M.Sc. in Economics and Business Administration, Stockholm.

School of Economics.

Shares in Saab: 7,000.

Other board commitments:

Board member of Atlas Copco, Investor AB, Patricia Industries and EQT Holdings AB.

Former employment and positions:

Director Investor AB, Head of Core Investments, Project Manager at Aleris AB; Head of Research Core Investments, Head of Capital Goods and Healthcare Sector, Head of Capital Goods Sector and 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 Partners AB and LKAB; Board member of Stena Metall AB, FLSmidth A/S and Xylem Inc.

Former employment and positions:

President and CEO of ABB Sweden; Executive Vice President of Asea Brown Boveri AB, Sweden; Business area Manager for business area Cables; President of ABB Cables AB; President of Asea Cylinda; Production Manager for Asea Low Voltage Division; Asea central staff – production trainee.



SARA MAZUR

Member of the Board since 2013.

Vice President and Head of Ericsson Research, Ericsson AB.

Born 1966.

M.Sc. and Ph.D. in Electrical Engineering from Royal Institute of Technology (KTH) and Honorary Doctor at Luleå University of Technology.

Shares in Saab: 500.

Other board commitments:

Deputy Chair of Wallenberg Autonomous System Program (WASP); Board member of SICS North, Integrated Transport Research Lab KTH; member of the Strategic Advisory Board of the School of Electrical Engineering, KTH, and Member of 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; Board member of the School of Electrical Engineering, KTH and Wireless@KTH, KTH.

EMPLOYEE REPRESENTATIVES



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: 2,625.



CATARINA CARLQVIST

Member of the Board since 2007.

Vice Chairman of the local Swedish Association of Graduate Engineers, Saab Dynamics AB, Karlskoga.

Born 1964.

Luleå University of Technology.

Shares in Saab: 88.



CONNY HOLM

Member of the Board since 2008 and Deputy Board member 1995–2008.

President of the local trade union IF Metall at Avionics Systems, Jönköping.

Born 1947.

Upper secondary engineering education.

Shares in Saab: 1,558.

Information regarding shareholding also includes holdings of closely affiliated natural and legal persons, when applicable.

**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 TeliSonera 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, Business Unit GSM, 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 STEGŐ 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: 600.

Other board commitments:

Chairman of Gotlands Bryggeri AB; Board member of Spendrups Bryggeri AB, Linköpings Universitets Holding AB, Investment AB Spiltan, Stiftelsen Expo, Stiftelsen Yump and Centrum för Näringslivshistoria.

Former employment and positions:

Deputy Chairman of Fortum Värme AB; Board member of AMF Fonder, Länsförsäkringar Liv and Marginalen Kredit and Finans; CEO of the Free Enterprise Foundation of Sweden and the think tank Timbro; Cabinet member and Head of the Ministry of Culture; Editorial writer and foreign policy commentator at Swedish 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.

Born 1946.

Professor in Physics, Ph.D..

Shares in Saab: 5,400.

Other board commitments:

Board member of Investor AB and SKF AB; Chairman of the Chalmers University of Technology and the Foundation for Strategic Environmental Research (MISTRA).

Former employment and positions:

Deputy Chairman of ÅF AB; 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 of Chalmers, Gothenburg; Professor of Material Physics at Chalmers, Gothenburg; Professor of Solid State Physics at Uppsala University.

**JOAKIM WESTH**

Member of the Board since 2010.

Board member of Saab's Audit Committee.

Born 1961.

M.Sc. in Aeronautics, Royal Institute of Technology (KTH), M.Sc. in Aerospace Engineering, (MIT) Massachusetts Institute of Technology.

Shares in Saab: 8,000.

Other board commitments:

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

Former employment and positions:

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

DEPUTIES

GÖRAN GUSTAVSSON

Deputy Board member since 2008.

President of the local trade union IF Metall at Saab AB, Linköping.

Born 1953.

Shares in Saab: 1,871.

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: 2,147.

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: 787.

AUDITORS

PricewaterhouseCoopers AB

ANNA-CLARA AF EKENSTAM

Authorised Public Accountant, auditor in charge.

Until the end of September 2015:

HÅKAN MALMSTRÖM

Authorised Public Accountant, auditor in charge.

GROUP MANAGEMENT



HÅKAN BUSKHE

President and Chief Executive Officer.

Member of the Board of Saab AB since 2011.

Born 1963.

M.Sc., Licentiate of Engineering.

Employed 2010.

Shares in Saab: 40,853.

See also page 54.



LENNART SINDAHL

Deputy CEO, Senior Executive Vice President.

Born 1956.

M.Sc. in Engineering

Employed 1986.

Shares in Saab: 20,331.



MAGNUS ÖRNBERG

Executive Vice President and Chief Financial Officer (CFO).

Born 1965.

MBA.

Employed 2012.

Shares in Saab: 5,927.



ANN-KRISTIN ADOLFSSON

Senior Vice President and Chief Strategy Officer, Head of Group Strategy.

Born 1962.

MBA.

Employed 1986.

Shares in Saab: 1,429.



ANNIKA BÄREBO

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: 3,602.



LENA ELIASSON

Senior Vice President and Head of Group Human Resources.

Born 1967.

M.Sc. in Engineering.

Employed 2012.

Shares in Saab: 6,163.



JONAS HJELM

Senior Vice President and Head of Business Area Support and Services.

Born 1971.

Employed 2006.

Shares in Saab: 8,275.



DAN JANGBLAD

Senior Vice President and Head of Business Area Industrial Products and Services.

Born 1958.

M.Sc. in Engineering.

Employed 2000.

Shares in Saab: 23,490.



GÖRGEN JOHANSSON

Senior Vice President and Head of Business Area Dynamics.

Born 1964.

MBA.

Employed 2004.

Shares in Saab: 4,479.



MICAEL JOHANSSON

Senior Vice President and Head of Business Area Electronic Defence Systems.

Born 1960.

B.Sc.

Employed 1985.

Shares in Saab: 6,620.



ULF NILSSON

Senior Vice President and Head of Business Area Aeronautics.

Born 1964.

M.Sc. in Engineering.

Employed 1989.

Shares in Saab: 4,882.

In 2015, these individuals were also members of Group Management:

Gunilla Fransson, Senior Vice President and Head of Business Area Security and Defence Solutions, through 23 October 2015.

Åsa Thegström, Senior Vice President and Head of Group Communication, through 31 December 2015.

ADMINISTRATION REPORT

OTHER INFORMATION

GUIDELINES FOR REMUNERATION AND OTHER TERMS OF EMPLOYMENT FOR SENIOR EXECUTIVES 2015

Pursuant to the Swedish Companies Act, the Board of Directors shall propose remuneration guidelines for the company's senior executives to the Annual General Meeting. The Annual General Meeting 2015 adopted the Board's proposed guidelines for senior executives as described below.

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

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

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

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

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

These guidelines apply as of the Annual General Meeting 2015.

Fixed remuneration

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

Variable remuneration

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

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

One-off agreements on variable cash remuneration may be made in extraordinary circumstances, provided that such agreements are made solely on

an individual basis for recruitment or retention purposes or as compensation for extraordinary efforts above and beyond the individual's ordinary duties. Such remuneration shall never exceed the fixed annual salary and shall not be paid more than once a year per individual. Resolutions on such cash remuneration shall be made by the Board based on a proposal from the Remuneration Committee.

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

Other benefits

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

Pension

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

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

Miscellaneous terms

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

With respect to employment agreements signed after 1 January 2005 that are terminated by Saab, severance is payable for a maximum of 18 months following a six-month notice period.

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

Consulting fees to Board members

In special cases Saab AB's shareholder-elected Board Members may receive a fee for services performed

ADMINISTRATION REPORT

OTHER INFORMATION

within their respective areas of expertise, separately from their Board duties and for a limited period of time. Compensation for these services shall be paid at market terms.

INFORMATION IN THE ANNUAL REPORT NOTE 10

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

INCENTIVE PROGRAMMES PROPOSED TO THE ANNUAL GENERAL MEETING 2015

The Board of Directors proposed that the Annual General Meeting 2015 resolve to adopt a long-term incentive programme 2015 consisting of a Share Matching Plan and Performance Share Plan. The Annual General Meeting resolved in accordance with the Board's proposal.

BOARD OF DIRECTORS PROPOSAL FOR GUIDELINES FOR REMUNERATION AND OTHER TERMS OF EMPLOYMENT FOR SENIOR EXECUTIVES, APPLICABLE AS OF THE ANNUAL GENERAL MEETING 2016

The Remuneration Committee has evaluated the remuneration for Saab AB senior executives, including variable remuneration, the application of the remuneration guidelines and other employment terms for senior executives resolved at the Annual General Meeting 2015, and the current remuneration structures and remuneration levels in the company.

The Remuneration Committee has recommended that the Board of Directors propose that the Annual General Meeting adopt remuneration guidelines with terms and conditions in principle identical to those that were adopted by the Annual General Meeting 2015. In light of the above, the Board of Directors proposes that the Annual General Meeting 2016 adopt guidelines for remuneration and other terms of employment for senior executives with terms and conditions in principle identical to those resolved at the Annual General Meeting 2015.

With respect to fixed and variable remuneration, other benefits and consulting fees to Board members, the guidelines are unchanged compared to 2015. Certain clarifications have been proposed in the guidelines on pension and miscellaneous terms as described below.

Pension

The minimum 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 plan and provisions are made annually. For the President the provision is limited to 35 per cent of fixed salary. For other senior executives the percentage is based on "Saab Plan" regula-

tion. According to this plan, the percentage is dependent on the number of years remaining until retirement age upon joining the plan. The aggregate insurance balance should cover a targeted pension from age 65 of approximately 32.5 per cent of salary levels between 20 and 30 basic income amounts and approximately 50 per cent of segments above 30 basic income amounts.

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

Miscellaneous terms

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

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

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

Deviations from guidelines for remuneration to senior executives resolved by Annual General Meeting 2015.

The Board has decided to deviate from the guidelines during 2015.

In connection with the adjustments in Saab's Business Area structure a settlement was made with a senior executive. As a part of the settlement it was agreed that any income that the senior executive may have from other employment during the period for termination- and severance payment from Saab, shall not reduce the payments from Saab during the corresponding time.

INCENTIVE PROGRAMMES PROPOSED TO THE ANNUAL GENERAL MEETING 2016

The Board of Directors propose that the Annual General Meeting resolve to adopt a long-term incentive programme 2016 consisting of two parts: Share Matching Plan 2016 and Performance Share Plan 2016. The terms and estimated costs for Share Matching Plan 2016 and Performance Share Plan 2016 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 SHARES

The Annual General Meeting of Saab has resolved

for a number of years to offer a long-term incentive programme consisting of two parts: a Share Matching Plan and a Performance Share Plan. The reason is that the Board considers it important that Saab's employees share a long-term interest in a good value development of the company's shares. The long-term incentive programme comprises not more than 1,340,000 Series B shares in Saab per year.

Since 2007, Saab offers permanent employees the opportunity to participate in the Share Matching Plan. Employees can withhold up to 5 per cent of their gross base salary to purchase Series B shares on Nasdaq Stockholm during a twelve-month period. Provided that a participant retains the purchased shares for three years after the investment date and is still employed by the Saab Group, the participant will be allotted a corresponding number of Series B shares free of charge. Currently, Share Matching Plans 2012–2015 are in place.

Since 2008, Saab also has a Performance Share Plan for senior Executives and key employees. In the Performance Share Plans for 2011–2013, up to 286 key employees (in each plan), including the President, are able to allocate a maximum of 7.5 per cent of their gross fixed salary to purchase Saab Series B shares during a 12-month period. Investments made under this plan also count as a basis for participation in the Share Matching Plan, up to a maximum of 5 per cent of base salary. In addition to the requirement that the employee remain employed by Saab after three years, earnings per share must grow by an annual average of 5 to 15 per cent during the three-year period to qualify for matching performance shares. The Performance Share Plans 2011–2013 entitle participants to 1–4 performance shares, depending on employee category. The Board may reduce the number of performance shares if the Board considers it reasonable given the company's financial results and position, conditions on the stock market and other circumstances.

In April 2014, Saab's Annual General Meeting resolved to modify the Performance Share Plan to increase interest among the target group. The Performance Share Plan now covers a maximum of 175 key employees, including the President. Participants can also save up to 7.5 per cent of their base salary in this plan to purchase Series B shares during a twelve-month period, while participating in the Share Matching Plan as well. Depending on which category they belong to, participants are entitled to 2–7 performance shares for each purchased share.

Participants are entitled to performance matching shares, free of consideration, provided that the performance targets are achieved and the participants have retained the purchased shares for three years after the investment date and remain employed by the Saab Group.

The number of performance shares is linked to the performance targets established by the Board of Directors. The terms for the performance matching

are based on three independent targets for a one-year performance period: organic sales growth¹), EBIT margin²) and free cash flow³). The relative apportionment between the targets is as follows: 30 per cent of the allotment is attributable to organic sales growth, 40 per cent to EBIT margin and 30 per cent to free cash flow. The performance targets are established by the Board of Directors with a minimum and maximum level for each target. The Board of Directors decides on the performance matching after the end of the one-year performance period. If the maximum levels for the performance targets are reached or exceeded, the performance matching will amount to (and not exceed) the maximum of 440,000 shares. If the performance outcome falls short of the maximum level but exceeds the minimum level, a linear proportionate performance matching will occur. No performance matching will occur if the performance outcome is equal to or below the minimum level. Before the performance matching is ultimately determined, the Board of Directors will assess whether it is reasonable in relation to the company's financial results and position, conditions in the stock market and other circumstances. If it determines that this is not the case, the Board of Directors will reduce the number of performance shares that will be matched to the lower number of shares it considers appropriate.

Performance shares are allotted three years after the investment. Currently, Performance Share Plans 2012–2015 are in place.

The Annual General Meeting 2015 also resolved to authorise the Board of Directors to decide to acquire not more than 1,340,000 Saab Series B shares to secure delivery of shares to participants in Saab's long-term Share Matching Plan and Performance Share Plan and for subsequent transfers to cover certain expenses associated with LTI 2015, mainly social security costs. Repurchases may be effected on Nasdaq Stockholm.

Furthermore, the Annual General Meeting 2015 resolved to authorise the Board of Directors to decide to repurchase Saab Series B shares up to a maximum of 10 per cent of all the shares in the company. The purpose of the authorisation is to be able to adapt the company's capital structure and thereby contribute to increased shareholder value as well as to enable continuous use of repurchased shares in connection with potential company acquisitions and for the company's share-based incentive programmes. Repurchases may be effected on Nasdaq Stockholm.

During 2015, the Board of Directors did not resolve to utilise any of the two repurchase mandates. Both repurchase mandates apply until the Annual General Meeting 2016.

FINANCIAL STATEMENTS AND NOTES

FINANCIAL STATEMENTS

Income Statement, Consolidated	61	Income Statement, Parent Company	67
Statement of Comprehensive Income, Consolidated	62	Comprehensive Income, Parent Company	67
Statement of Financial Position, Consolidated	63	Balance Sheet, Parent Company	68
Statement of Changes in Equity, Consolidated	65	Statement of Changes in Equity, Parent Company	70
Statement of Cash Flows, Consolidated	66	Statement of Cash Flows, Parent Company	71

NOTES

1 Accounting principles	72	18 Tangible fixed assets	89	34 Post-employment benefits	98
2 Assumptions in the application of the accounting principles	73	19 Biological assets	91	35 Provisions	100
3 Business combinations	74	20 Investment properties	91	36 Other liabilities	102
4 Segment reporting	74	21 Shares in associated companies and joint ventures	92	37 Accrued expenses and deferred income	102
5 Revenue distribution and operating expenses	76	22 Parent Company's shares in associated companies and joint ventures	94	38 Financial risk management and financial instruments	102
6 Other operating income	77	23 Receivables from Group companies	94	39 Assets pledged and contingent liabilities	108
7 Other operating expenses	77	24 Financial investments	94	40 Transactions with related parties	108
8 Lease agreements	77	25 Other long-term securities holdings	94	41 Group companies	108
9 Government grants	78	26 Long-term receivables and other receivables	95	42 Untaxed reserves	110
10 Employees and remuneration	78	27 Inventories	95	43 Statement of cash flows, supplemental information	110
11 Auditors' fees and compensation	82	28 Accounts receivable	96	44 Information on Parent Company	111
12 Depreciation/amortisation and write-downs	83	29 Prepaid expenses and accrued income	96	45 Environmental report	112
13 Financial income and expenses	83	30 Liquid assets	96	46 Exchange rates used in financial statements	112
14 Appropriations	83	31 Shareholders' equity	96	47 Definitions of key ratios	112
15 Taxes	84	32 Interest-bearing liabilities	97		
16 Earnings per share	86	33 Liabilities to credit institutions	97		
17 Intangible fixed assets	87				

CONSOLIDATED INCOME STATEMENT

MSEK	Note	2015	2014
Sales	4, 5	27,186	23,527
Cost of goods sold		-20,700	-17,450
Gross income		6,486	6,077
Other operating income	6	371	430
Marketing expenses		-2,061	-2,144
Administrative expenses		-1,323	-1,214
Research and development costs		-1,565	-1,487
Other operating expenses	7	-48	-21
Share in income of associated companies and joint ventures	21	40	18
Operating income	5, 11, 12	1,900	1,659
Financial income		169	103
Financial expenses		-338	-239
Net financial items	13	-169	-136
Income before taxes		1,731	1,523
Taxes	15	-329	-355
Net income for the year		1,402	1,168
Attributable to:			
Parent Company's shareholders		1,362	1,153
Non-controlling interest		40	15
Earnings per share before dilution (SEK)	16	12.88	10.86
Earnings per share after dilution (SEK)	16	12.79	10.78

ORDERS

Order bookings were higher in 2015 than in 2014 mainly due to several large orders, including Gripen for Brazil, the submarine A26 for Sweden and an airborne surveillance system for the United Arab Emirates (UAE). In addition, the volume of small and medium-sized orders increased.

In all, 95 per cent (80) of order bookings were attributable to defence-related operations and 80 per cent (45) were attributable to customers outside Sweden.

During 2015, index and price changes had a positive effect on order bookings of MSEK 183 compared to MSEK 346 during 2014.

Orders received, where the total order value exceeded MSEK 100, represented 86 per cent (61) of total order bookings.

The order backlog at the end of the year amounted to MSEK 113,834 compared to MSEK 60,128 at the beginning of the year.

Order backlog duration:
2016: SEK 21.8 billion
2017: SEK 15.9 billion
2018: SEK 12.3 billion
2019: SEK 11.7 billion
After 2019: SEK 52.1 billion

SALES PER REGION

MSEK	Jan-Dec 2015	Jan-Dec 2014
Sweden	11,399	10,512
EU excluding Sweden	4,307	3,770
Rest of Europe	626	592
Americas	4,061	2,895
Asia	5,370	4,007
Africa	541	573
Australia, etc.	882	1,178
Total	27,186	23,527

SALES PER MARKET SEGMENT

MSEK	Jan-Dec 2015	Jan-Dec 2014
Air	12,642	10,481
Land	5,581	5,240
Naval	4,286	3,192
Civil Security	2,127	2,330
Commercial Aeronautics	2,096	1,838
Other	454	446
Total	27,186	23,527

SALES

Sales during 2015 increased by 16 per cent compared to 2014.

Acquisitions, mainly related to Saab Kockums that was acquired in 2014, had a positive net effect of 3 per cent (2) on sales and currency effects had a positive effect of 2 per cent (0). The organic sales growth was 11 per cent (-3).

Sales in markets outside of Sweden amounted to MSEK 15,787 (13,015), or 58 per cent (55), of total sales.

82 per cent (79) of sales was related to the defence market.

INCOME, MARGIN AND PROFITABILITY

The gross margin during 2015 was 23.9 per cent (25.8), which was lower than in 2014, mainly due to a changed project mix as Saab has more large projects with a substantial share of customer funded research and development. Total depreciation and amortisation amounted to 959 (872). Depreciation of tangible fixed assets amounted to MSEK 451 (406).

Total investments in research and development (R&D) amounted to 6,841 (5,970). Internally funded expenditures in R&D amounted to MSEK 1,765 (1,338), of which MSEK 524 (171) was capitalised. The internally funded investments in development are mainly attributable to radar and sensor technology as well as development related to the T-X program. The increased capitalisation of development costs is related to a new version of an airborne surveillance system.

Amortisation of intangible fixed assets amounted to MSEK 508 (466), of which amortisation of capitalised development expenditures amounted to MSEK 323 (320).

The share of income in associated companies and joint ventures amounted to MSEK 40 (18).

The operating income amounted to MSEK 1,900 (1,659) with an operating margin of 7.0 per cent (7.1). The operating income adjusted for non-recurring items amounted to MSEK 1,782 (1,566) and the adjusted operating margin was 6.6 per cent (6.7).

During 2015 and 2014, reversal of risk provisions attributable to the remaining risks related to the termination of Saab's leasing fleet of turbo prop aircraft (SAL), contributed positively to the operating income.

Current and deferred taxes amounted to MSEK -329 (-355), the equivalent to an effective tax rate of 19 per cent (23). The lower tax rate is mainly attributable to non-taxable income such as capital gains.

The pre-tax return on capital employed was 11.2 per cent (11.1) and the after-tax return on equity was 11.5 per cent (9.9), both measured over a rolling 12-month period.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MSEK	2015	2014
Net income for the year	1,402	1,168
Other comprehensive income/loss:		
Items that will not be reversed in the income statement:		
Revaluation of net pension obligations	839	-1,220
Tax attributable to revaluation of net pension obligations	-183	266
Total	656	-954
Items that may be reversed in the income statement:		
Translation differences	-20	517
Available-for-sale financial assets	-27	27
Net gain/loss on cash flow hedges:		
Change in value	-381	-1,140
Reversed through profit and/or loss	361	-23
Tax attributable to net gain/loss on cash flow hedges	11	253
Total	-56	-366
Other comprehensive income	600	-1,320
Net comprehensive income for the year	2,002	-152
of which Parent Company's shareholders' interest	2,007	-167
of which non-controlling interest	-5	15

Revaluation of net pension obligations has had a pre-tax effect of MSEK 839 (-1,220) on net comprehensive income for the year, see note 34 for more information. The after-tax effect of net gain/losses of cash flow hedges on net comprehensive income amounted to MSEK -9 (-910), see note 38 for more information.

FINANCIAL NET

MSEK	2015	2014
Financial net related to pensions	-64	-57
Net interest items	-79	7
Currency gains/losses	-118	-5
Other net financial items	92	-81
Total	-169	-136

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

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

Currency gains/losses reported in financial net are mainly related to hedges of the tender portfolio, which are valued at fair value. In 2015, the valuation was to a large extent impacted by changes in the market valuation of derivatives with exposure in the currencies USD and EUR.

Other net financial items consist of costs attributable to the programme for the sale of trade receivables, unrealised results from the market valuation of short-term investments, and other currency effects, for example changes related to liquid assets in currencies other than SEK.

In December 2015, Saab divested its holding in the Indian company Pipavav Defence and Offshore Engineering Company Limited. The divestment resulted in a capital gain of MSEK 117, which is recognised in other financial items. A combination of negative currency effects and share price development resulted in a value decline of MSEK 19 in 2014, which is also recognised in other financial items.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MSEK	Note	31-12-2015	31-12-2014
ASSETS			
Intangible fixed assets	17	6,476	6,351
Tangible fixed assets	18	4,472	3,702
Biological assets	19	290	289
Investment properties	20	34	33
Shares in associated companies and joint ventures	21	602	397
Financial investments	24	190	292
Long-term receivables	26	444	152
Deferred tax assets	15	351	656
Total fixed assets		12,859	11,872
Inventories	27	5,243	5,819
Derivatives	38	1,058	469
Tax assets		106	60
Accounts receivable	28	2,913	3,414
Other receivables	26	8,102	4,255
Prepaid expenses and accrued income	29	962	1,113
Short-term investments	24	2,995	1,270
Liquid assets	30	850	1,284
Total current assets		22,229	17,684
TOTAL ASSETS		35,088	29,556

STATEMENT OF FINANCIAL POSITION

At the end of December 2015, the net debt amounted to MSEK 3,217, an increase of MSEK 1,104 compared to year-end 2014.

Cash flow from operating activities was positive and amounted to MSEK 358.

Provisions for pensions, excluding special employers' contribution, as of 31 December 2015 amounted to MSEK 1,893, compared to MSEK 2,528 at year-end 2014. This had a positive impact of MSEK 635 on net debt. The decrease in provisions was mainly due to the increase in the discount rate used in the valuation of pension obligations from 2.50 per cent to 3.25 per cent during the year. This was partially offset by the change of the inflation assumption for calculating the pension obligation from 1.50 per cent to 1.75 per cent. For more information about Saab's defined-benefit plans, see note 34.

During 2015, net debt also increased due to net investments amounting to MSEK 1,084. Saab has also signed a financial lease agreement regarding an aircraft intended for business travel, education and training. This has increased net debt with MSEK 435 during the year. Dividend to the parent company's shareholders of MSEK 501 was paid out during the year.

Currency exchange rate differences in liquid assets and unrealised results from financial investments had an impact on net debt of MSEK -77.

In order to strengthen the company's financial flexibility, the long-term external funding was increased by MSEK 2,360 and the short-term external funding was increased by MSEK 533 during 2015. As of 31 December 2015, short-term investments and liquid assets amounted to MSEK 3,845.

Capitalised development costs on the balance sheet amounted to MSEK 1,157 at 31 December 2015 and to MSEK 952 at 31 December 2014. The increased capitalisation of development costs is related to a new version of an airborne surveillance system.

Inventories decreased by MSEK 576 during 2015 following large deliveries during mainly the fourth quarter. Inventories are recognised after deducting utilised advances.

Tangible fixed assets increased, mainly as a result of the above mentioned financial lease of an aircraft.

Trade receivables decreased, while accrued revenues increased, primarily relating to Gripen E.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MSEK	Note	31-12-2015	31-12-2014
EQUITY AND LIABILITIES			
Equity	31		
Capital stock		1,746	1,746
Other capital contributions		543	543
Other reserves		-374	-363
Retained earnings		10,936	9,365
Equity attributable to Parent Company's shareholders		12,851	11,291
Non-controlling interest		61	82
Total equity		12,912	11,373
Liabilities			
Long-term interest-bearing liabilities	32	4,872	2,105
Other liabilities	36	136	141
Provisions for pensions	34	2,373	3,149
Other provisions	35	1,097	1,234
Deferred tax liabilities	15	34	48
Total long-term liabilities		8,512	6,677
Short-term interest-bearing liabilities	32	853	264
Advance payments from customers		1,098	856
Accounts payable		2,340	1,840
Derivatives	38	1,614	1,400
Tax liabilities		37	47
Other liabilities	36	725	978
Accrued expenses and deferred income	37	6,549	5,609
Provisions	35	448	512
Total current liabilities		13,664	11,506
Total liabilities		22,176	18,183
TOTAL EQUITY AND LIABILITIES		35,088	29,556

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

NET LIQUIDITY/DEBT

MSEK	Note	31-12-2015	31-12-2014	MSEK	Note	31-12-2015	31-12-2014
Assets				Liabilities			
Liquid assets	30	850	1,284	Liabilities to credit institutions	32	4,762	2,001
Short-term investments	24	2,995	1,270	Liabilities to associated companies and joint ventures	32	251	244
Total liquid investments		3,845	2,554	Other interest-bearing liabilities	32	712	124
Short-term interest-bearing receivables	26	48	5	Provisions for pensions ¹⁾	34	1,942	2,587
Long-term interest-bearing receivables	26	367	83	Total interest-bearing liabilities		7,667	4,956
Long-term receivables attributable to pensions	26	49	59	Net liquidity (+) / debt (-)		-3,217	-2,113
Long-term interest-bearing financial investments	24	141	142				
Total interest-bearing assets		4,450	2,843				

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

The average net liquidity/debt during 2015 amounted to MSEK -3,634 (-1,185). Net liquidity/debt excluding interest-bearing receivables and net pension obligations amounted to MSEK -1,880 (185) on 31 December 2015.

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	Revaluation reserve	Available-for-sale and revaluation reserve				
Opening balance, 1 January 2014	1,746	543	346	-353	11	9,843	12,136	91	12,227
Net comprehensive income/loss for the year			-908	514	27	200	-167	15	-152
Transactions with shareholders:									
Repurchase of shares	-	-	-	-	-	-252	-252	-	-252
Share matching plan	-	-	-	-	-	50	50	-	50
Dividend	-	-	-	-	-	-479	-479	-5	-484
Acquisition and sale of non-controlling interest	-	-	-	-	-	3	3	-19	-16
Closing balance, 31 December 2014	1,746	543	-562	161	38	9,365	11,291	82	11,373
Opening balance, 1 January 2015	1,746	543	-562	161	38	9,365	11,291	82	11,373
Net comprehensive income/loss for the year			24	-8	-27	2,018	2,007	-5	2,002
Transactions with shareholders:									
Share matching plan	-	-	-	-	-	66	66	-	66
Dividend	-	-	-	-	-	-501	-501	-10	-511
Acquisition and sale of non-controlling interest	-	-	-	-	-	-12	-12	-6	-18
Closing balance, 31 December 2015	1,746	543	-538	153	11	10,936	12,851	61	12,912

For a definition of other reserves, see note 31.

CONSOLIDATED STATEMENT OF CASH FLOWS

MSEK	Note	2015	2014
Operating activities			
Income after financial items		1,731	1,523
Adjustments for items not affecting cash flow	43	688	723
Dividend from associated companies and joint ventures		25	2
Income tax paid		-266	-394
Cash flow from operating activities before changes in working capital		2,178	1,854
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in inventories		349	-86
Increase (-)/Decrease (+) in current receivables		-3,573	-282
Increase (+)/Decrease (-) in advance payments from customers		284	21
Increase (+)/Decrease (-) in other current liabilities		1,426	-914
Increase (+)/Decrease (-) in provisions		-306	-536
Cash flow from operating activities		358	-713
Investing activities			
Investments in intangible fixed assets		-70	-68
Capitalised development costs		-524	-171
Investments in tangible fixed assets		-799	-732
Sale of tangible fixed assets		7	15
Sale of lease assets		-	105
Sale of and investments in short-term investments		-1,722	720
Investments in other financial assets		-354	-
Sale of other financial assets		222	40
Investments in operations and associated companies, net effect on liquidity	3, 43	-235	152
Sale of subsidiaries and associated companies, net effect on liquidity	43	316	299
Cash flow from investing activities		-3,159	360
Financing activities			
Repayment of loans		-1,865	-468
Raising of loans		4,758	1,000
Repurchase of shares		-	-252
Dividend paid to Parent Company's shareholders		-501	-479
Dividend paid to non-controlling interests		-10	-5
Cash flow from financing activities		2,382	-204
CASH FLOW FOR THE YEAR	43	-419	-557
Liquid assets at beginning of year		1,284	1,764
Exchange rate difference in liquid assets		-15	77
Liquid assets at year-end	43	850	1,284

CAPITAL EXPENDITURES

The cash flow effect of capital expenditures in tangible fixed assets amounted to MSEK 799 (732).

Investments in intangible fixed assets amounted to MSEK 594 (239), of which MSEK 524 (171) was related to capitalised development costs and MSEK 70 (68) to other intangible fixed assets.

CASH FLOW

Cash flow from operating activities excluding taxes and other financial items amounted to MSEK 886 (-346), see note 43.

Saab has an established programme to sell trade receivables to strengthen its financial position and increase financial flexibility. As of 31 December 2015, net receivables of MSEK 1,299 were sold, compared to MSEK 1,071 as of 31 December 2014. This had a positive impact on cash flow from operating activities amounting to MSEK 228 during 2015.

The operational cash flow amounted to MSEK -500 (-1,197). It is defined as cash flow from operating activities, excluding taxes and other financial items, and acquisitions and divestments of intangible fixed assets, tangible fixed assets and lease assets. The improved operational cash flow in 2015, compared to 2014, is mainly attributable to milestone payments in Saab Kockums and the Gripen programmes. Free cash flow amounted to MSEK -726 (-1,094). For more detailed information about the cash flow, see note 43.

PARENT COMPANY INCOME STATEMENT

MSEK	Note	2015	2014
Sales	4, 5	18,022	16,175
Cost of goods sold		-14,209	-11,869
Gross income		3,813	4,306
Marketing expenses		-1,204	-1,365
Administrative expenses		-817	-730
Research and development costs		-1,591	-1,170
Other operating income	6	54	170
Other operating expenses	7	-47	-11
Operating income		208	1,200
Result from financial items:	13		
Result from shares in Group companies		-67	554
Result from shares in associated companies and joint ventures		-	194
Result from other securities and receivables held as fixed assets		53	-67
Other interest income and similar items		176	205
Interest expenses and similar items		-94	-180
Income after financial items		276	1,906
Appropriations	14	-160	-419
Income before taxes		116	1,487
Taxes	15	-153	-317
Net income for the year		-37	1,170

SALES AND INCOME

The Parent Company includes units within the business areas Aeronautics, Electronic Defence Systems, Security and Defence Solutions, Support and Services and Industrial Products and Services. Group staff and Group support are included as well. The business area Dynamics is a subsidiary to Saab AB and is not a part of the Parent Company.

The Parent Company's sales in 2015 amounted to MSEK 18,022 (16,175). Operating income was MSEK 208 (1,200).

Net financial income and expenses was MSEK 68 (706). After appropriations of MSEK -160 (-419) and taxes of MSEK -153 (-317), net income for the year amounted to MSEK -37 (1,170).

PARENT COMPANY COMPREHENSIVE INCOME

MSEK	2015	2014
Net income for the year	-37	1,170
Other comprehensive income	-	-
Net comprehensive income for the year	-37	1,170

PARENT COMPANY BALANCE SHEET

MSEK	Note	31-12-2015	31-12-2014
ASSETS			
Fixed assets			
Intangible fixed assets	17	803	1,117
Tangible fixed assets	18	2,882	2,574
Financial fixed assets:			
Shares in Group companies	41	6,817	6,764
Receivables from Group companies	23	19	865
Shares in associated companies and joint ventures	22	199	135
Receivables from associated companies and joint ventures		288	-
Other long-term securities holdings	25	45	137
Other long-term receivables	26	15	25
Deferred tax assets	15	91	131
Total financial fixed assets		7,474	8,057
Total fixed assets		11,159	11,748
Current assets			
Inventories	27	3,668	4,490
Current receivables:			
Tax assets		81	-
Accounts receivable	28	1,252	1,826
Receivables from Group companies		1,358	2,838
Receivables from associated companies and joint ventures		46	9
Other receivables	26	6,596	2,784
Prepaid expenses and accrued income	29	800	794
Total current receivables		10,133	8,251
Short-term investments		2,994	1,270
Cash and bank balances		211	377
Total current assets		17,006	14,388
TOTAL ASSETS		28,165	26,136

LIQUIDITY, FINANCING, CAPITAL EXPENDITURES AND NUMBER OF EMPLOYEES

The Parent Company's net debt amounted to MSEK 5,154 at 31 December 2015 compared to MSEK 2,577 at 31 December 2014.

Gross capital expenditures in property, plant and equipment amounted to MSEK 602 (551). Investments in intangible assets amounted to MSEK 49 (63). At the end of the year, the Parent Company had 8,632 employees, compared to 8,695 at the beginning of the year.

PARENT COMPANY BALANCE SHEET

MSEK	Note	31-12-2015	31-12-2014
EQUITY AND LIABILITIES			
Equity	31		
Restricted equity:			
Capital stock		1,746	1,746
Revaluation reserve		688	694
Statutory reserve		543	543
Unrestricted equity:			
Retained earnings		5,057	4,316
Net income for the year		-37	1,170
Total equity		7,997	8,469
Untaxed reserves	42	2,139	1,979
Provisions			
Provisions for pensions and similar commitments	34	137	140
Other provisions	35	618	638
Total provisions		755	778
Liabilities			
Liabilities to credit institutions	33	4,762	2,000
Liabilities to Group companies		5,636	5,921
Advance payments from customers		400	439
Accounts payable		1,705	1,301
Liabilities to associated companies and joint ventures		251	244
Tax liabilities		-	17
Other liabilities	36	611	821
Accrued expenses and deferred income	37	3,909	4,167
Total liabilities		17,274	14,910
TOTAL EQUITY AND LIABILITIES		28,165	26,136
Assets pledged	39	15	-
Contingent liabilities	39	4,748	4,551

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 2014	1,746	700	543	4,992	-	7,981
Items reported directly in equity:						
Change in revaluation reserve	-	-6	-	6	-	-
Net comprehensive income for the year	-	-	-	-	1,170	1,170
Transactions with shareholders:						
Dividend to shareholders	-	-	-	-479	-	-479
Repurchase of shares	-	-	-	-252	-	-252
Share matching plan	-	-	-	50	-	50
Closing balance, 31 December 2014	1,746	694	543	4,316	1,170	8,469
Opening balance, 1 January 2015	1,746	694	543	5,486	-	8,469
Items reported directly in equity:						
Change in revaluation reserve	-	-6	-	6	-	-
Net comprehensive income for the year	-	-	-	-	-37	-37
Transactions with shareholders:						
Dividend to shareholders	-	-	-	-501	-	-501
Share matching plan	-	-	-	66	-	66
Closing balance, 31 December 2015	1,746	688	543	5,057	-37	7,997

PARENT COMPANY STATEMENT OF CASH FLOWS

MSEK	Note	2015	2014
Operating activities			
Income after financial items		276	1,906
Adjustments for items not affecting cash flow	43	617	182
Income tax paid		-212	-277
Cash flow from operating activities before changes in working capital		681	1,811
Cash flow from changes in working capital			
Increase(-)/Decrease(+) in inventories		716	-926
Increase(-)/Decrease(+) in current receivables		-2,479	2,184
Increase(+)/Decrease(-) in advance payments from customers		-39	45
Increase(+)/Decrease(-) in other current liabilities		2	-3,488
Increase(+)/Decrease(-) in provisions		3	-193
Cash flow from operating activities		-1,116	-567
Investing activities			
Shareholders' contributions paid		-112	-30
Investments in intangible fixed assets		-49	-63
Investments in tangible fixed assets		-617	-551
Sale of tangible fixed assets		3	11
Sale of and investments in short-term investments		-1,728	708
Investments in financial assets		-509	-122
Sale of financial assets		212	4
Investments in subsidiaries		-208	-341
Sale of subsidiaries and associated companies		319	375
Cash flow from investing activities		-2,689	-9
Financing activities			
Change in receivables/liabilities from Group companies		457	-839
Raising of loans		4,758	1,000
Repayment of loans		-1,543	-160
Repurchase of shares		-	-252
Dividend paid to shareholders		-501	-479
Group contributions and dividends received		468	415
Cash flow from financing activities		3,639	-315
CASH FLOW FOR THE YEAR			
Liquid assets at beginning of year		377	1,268
Liquid assets at year-end	43	211	377

NOTE 1 ACCOUNTING PRINCIPLES

OPERATIONS

Saab AB is a Swedish limited company with its registered address in Linköping. The company's Series B shares are listed on Nasdaq Stockholm's large cap list. The operations of Saab AB with its subsidiaries, joint ventures and associated companies (jointly referred to as Saab or the Group) were divided into six business areas in 2015: Aeronautics, Dynamics, Electronic Defence Systems, Security and Defence Solutions, Support and Services, and Industrial Products and Services. The operations in each business area are described in note 4.

On 26 February 2016, the Board of Directors and the President approved this annual report and consolidated accounts for publication, and it will be presented to the Annual General Meeting on 14 April 2016 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.

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

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

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

The accounting principles described below for the Group and the accounting principles concerning significant profit/loss and balance sheet items described in respective note disclosure 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 2015:

- Yearly improvements of IFRS standards, improvement cycle 2011-2013.
 1. IFRS 1 First time IFRS is applied
 2. IFRS 3 Business combinations
 3. IFRS 13 Fair value measurement
 4. IAS 40 Investment property
- IFRIC 21 Levies

The new and amended standards have not had a material effect on the Group's financial reports.

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

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

Standards	Will apply to financial years beginning:
IFRS 9 Financial Instruments	1 January 2018 (not adopted by EU)
IFRS 15 Revenue from Contracts with Customers	1 January 2018 (not adopted by EU)

IFRS 9 "Financial instruments" sets out the requirements for classification, measurement and accounting of financial assets and liabilities and introduce new accounting rules for hedge accounting. Saab has not yet evaluated the effects of the introduction of the standard.

IFRS 15 Revenue from Contracts with Customers governs the recognition of revenue. The principles that IFRS 15 are based on give users of financial statements more useful information on the company's revenue. The expanded disclosure obligation means that information must be provided on the nature, timing and uncertainty of revenue and cash flows arising from contracts with customers. According to IFRS 15, revenue is recognised when customers obtain control over purchased goods or services and are able to use and obtain benefits from the goods or services. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts. Saab has started the work to evaluate the effects of the introduction of the standard and a detailed evaluation will be made during 2016.

Other IFRS or IFRIC-interpretations that have not yet entered into force are not expected to have any material effect on the Group's financial reports.

CLASSIFICATION OF ASSETS AND LIABILITIES

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

CONSOLIDATION PRINCIPLES

Group companies

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

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

Recognised goodwill consists of the difference between, on the one hand, the cost of Group company's interests, the value of non-controlling interests in the acquired company and the fair value of the previously owned interest and, on the other, the carrying amount of the acquired assets and assumed liabilities in the acquisition analysis. Non-controlling interests are recognised on the acquisition date either at fair value or their proportionate share of the carrying amount of the acquired company's identified assets and liabilities. Acquisitions of non-controlling interests are recognised as transactions affecting the owners' equity.

The financial reports of Group companies are included in the consolidated accounts from the point in time when a decisive influence arises (acquisition date)

Note 1, cont.

until this influence ceases. When decisive influence over the Group company ceases but the Group retains an interest in the company, the remaining shares are initially recognised at fair value. The gain or loss that arises is recognised in profit or loss.

Associated companies and joint ventures

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

Eliminated transactions

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

Gains that arise from transactions with associated companies and joint ventures are eliminated to an extent corresponding to the Group's ownership interest in the company. Losses are eliminated in the same way as gains, but only to the extent 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.

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

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

Business combinations

Transaction costs are included in the cost of business combinations.

Associated companies and joint ventures

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

Intangible fixed assets

All development costs are recognised in profit or loss.

Tangible fixed assets

Tangible fixed assets are recognised after revaluation, if necessary.

Investment properties

Investment properties are recognised according to acquisition cost method.

Financial assets and liabilities and other financial instruments

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

Derivatives and hedge accounting

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

Employee benefits

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

Untaxed reserves

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

Group contributions and shareholders' contributions

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

NOTE 2 ASSUMPTIONS IN THE APPLICATION OF THE ACCOUNTING PRINCIPLES

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

UNCERTAINTIES IN ESTIMATES AND ASSUMPTIONS

Long-term customer contracts

A majority of all long-term customer contracts contain significant development aspects, which are associated with risks. Before a contract is signed with a customer on delivery of a product, 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 made of the work in the project according to the same process. An important aspect is to identify risks and assess them and the measures that are taken to mitigate the risks with the help of a risk assessment method.

The Group applies the percentage of completion method to recognise revenue from long-term customer contracts. An estimation of total costs including an estimation of technical and commercial risks is critical in revenue recognition. Changed estimations may affect revenue recognition, recognition of project loss provisions and inventories. Payments are made upon achievement of milestones in projects, making delivery according to project plan and milestones important for the cash flow. See note 5 for more information regarding long-term customer contracts.

Recovery of value of development costs

The Group has invested significant amounts in research and development. The reported amounts in the statement of financial position are primarily due to development projects relating to radar and sensors, electronic warfare systems, Air Traffic Management, and airborne surveillance systems. Capitalised development costs amount to MSEK 1,157 (952). 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. See note 17 for further information.

Note 2, cont.

Impairment testing of goodwill

In the calculation of cash-generating units to determine whether there is a need or impairment of goodwill, assumptions have been made with regard to the calculation of value in use, based on discounted cash flow projections. A significant deviation in the conditions could necessitate impairment of goodwill. The carrying amount for goodwill amounts to MSEK 5,045 (5,015). See note 17 for further information.

Pensions

Saab has two types of pension plans: defined-benefit and defined-contribution. In defined-benefit plans, post-employment compensation is based on a percentage of the recipient's salary. The present value of defined-benefit obligations amounts to MSEK 7,742 (8,153). The value of the pension obligation is determined through a number of actuarial assumptions, because of which the obligation can significantly increase or decrease if the actuarial assumptions change. Changes in actuarial gains and losses directly affect the pension obligation and hence the Group's financial position. See note 34 for further information.

NOTE 3 BUSINESS COMBINATIONS

No significant acquisitions through business combinations were made during 2015.

NOTE 4 SEGMENT REPORTING

OPERATING SEGMENTS

Saab is a leading high-technology company, with its main operations in defence, aviation and civil security. Operations are primarily focused on well-defined areas in defence electronics and missile systems as well as military and commercial aviation. Saab is also active in technical services and maintenance. Saab has a strong position in Sweden and the main part of sales is generated in Europe. In addition Saab has a local presence in South Africa, Australia, the US and other selected countries globally.

Segment information is presented based on management's view, and operating segments are identified based on internal reporting to the company's chief operating decision maker. Saab has identified the Chief Executive Officer as its chief operating decision maker, while the internal reports used by the CEO to oversee operations and make decisions on allocating resources serve as the basis of the information presented. The segments are monitored at the operating income level. The accounting principles for reportable segments conform to the principles applied by the Group as a whole. Sales of goods and services between segments are made on market terms. As of 1 January 2015, Saab's operations are divided into the following six business areas, which will also be reported as operating segments:

- Aeronautics
- Dynamics
- Electronic Defence Systems
- Security and Defence Solutions
- Support and Services
- Industrial Products and Services

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

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

Dynamics

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

Electronic Defence Systems

The business is built on Saab's close interaction with customers that require efficient solutions for surveillance and for threat detection, localisation and protection. The business area has a product portfolio covering airborne, land-based and naval systems for radar, signals intelligence and self-protection.

Security and Defence Solutions

Operations comprise combat management systems for the navy, air force and army as well as the design, construction and maintenance of submarines and surface vessels. The portfolio also includes systems for training and simulation, security systems, solutions for secure communication, and systems for maritime and air traffic management.

Support and Services

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

Industrial Products and Services

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

Significant non-recurring items not affecting cash flow

Significant non-recurring items not affecting cash flow in 2015 is a non-recurring item of MSEK 117, attributable to a transfer of assets related to the unmanned helicopter Skeldar to UMS Skeldar AG.

Information on large customers

In 2015, Saab had one customer that accounted for 10 per cent or more of the Group's sales: the Swedish Defence Materiel Administration (FMV). FMV is a customer of all business areas and total sales amounted to MSEK 9,252 (8,086).

Information on geographical areas

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

Seasonal variation

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

Note 4, cont.

Group	Aeronautics		Dynamics		Electronic Defence Systems		Security and Defence Solutions		Support and Services		Industrial Products and Services		Corporate		Eliminations		Group		
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	
MSEK																			
External sales	5,934	5,242	3,109	2,840	3,977	3,867	6,264	5,635	5,222	3,371	2,613	2,588	67	-16	-	-	27,186	23,527	
Internal sales	328	212	90	134	155	185	123	127	123	199	949	877	-	-	-1,768	-1,734	-	-	
Total sales	6,262	5,454	3,199	2,974	4,132	4,052	6,387	5,762	5,345	3,570	3,562	3,465	67	-16	-1,768	-1,734	27,186	23,527	
Operating income before share in income of associated companies and joint ventures	509	398	132	143	221	211	317	342	578	376	230	131	-127	40	-	-	1,860	1,641	
Share in income of associated companies and joint ventures	-	-	39	22	-	-	19	14	-	-	-17	-19	-1	1	-	-	40	18	
Operating income	509	398	171	165	221	211	336	356	578	376	213	112	-128	41	-	-	1,900	1,659	
Financial income	2	11	2	16	1	-	11	10	1	1	-	1	262	179	-110	-115	169	103	
Financial expenses	-82	-124	-37	-44	-50	-58	-47	-59	-37	-44	-22	-19	-173	-6	110	115	-338	-239	
Income before taxes	429	285	136	137	172	153	300	307	542	333	191	94	-39	214	-	-	1,731	1,523	
Taxes ¹⁾	6	-18	-27	-29	-21	11	-69	-68	-64	-3	-5	-10	-149	-238	-	-	-329	-355	
Net income for the year	435	267	109	108	151	164	231	239	478	330	186	84	-188	-24	-	-	1,402	1,168	
Assets	4,556	4,349	4,161	3,441	7,691	7,598	8,275	7,092	4,631	3,583	3,058	2,623	18,757	13,339	-16,041	-12,469	35,088	29,556	
Of which shares in associated companies and joint ventures	29	29	127	89	4	4	65	79	-	-	212	28	165	168	-	-	602	397	
Liabilities	4,224	4,064	2,426	1,749	4,524	4,112	5,284	4,231	3,658	2,755	2,118	1,935	8,556	6,419	-8,614	-7,082	22,176	18,183	
Operational cash flow	-632	-401	-251	-69	-295	-589	1,096	157	-513	-32	-15	-320	157	76	-47	-19	-500	-1,197	
Capital employed	2,186	2,152	2,687	2,186	4,702	4,621	4,194	4,257	3,052	2,214	2,028	1,626	1,730	-727	-	-	20,579	16,329	
Investments	109	106	53	68	502	305	69	53	264	20	27	50	369	369	-	-	1,393	971	
Depreciation and amortisation	39	41	56	61	421	414	134	112	18	18	47	31	244	195	-	-	959	872	

¹⁾ Current taxes in the Parent Company are reported in Corporate**Geographical areas**

Group	Sweden		EU excluding Sweden		Rest of Europe		North America		Latin America	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
MSEK										
External sales	11,399	10,512	4,307	3,770	626	592	2,477	2,387	1,584	508
as % of sales	42	45	16	16	2	3	9	10	6	2
Fixed assets	10,949	8,959	271	581	235	55	783	1,650	3	4

Group	Asia		Africa		Australia, etc.		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
MSEK								
External sales	5,370	4,007	541	573	882	1,178	27,186	23,527
as % of sales	20	17	2	2	3	5	100	100
Fixed assets	98	87	415	426	105	110	12,859	11,872

Note 4, cont.

Sales by operating segment

MSEK	Parent Company	
	2015	2014
Aeronautics	5,979	5,265
Electronic Defence Systems	2,953	3,269
Security and Defence Solutions	2,684	2,986
Support and Services	4,849	3,131
Industrial Products and Services	1,557	1,524
Total	18,022	16,175

Sales by geographical market

MSEK	Parent Company	
	2015	2014
Sweden	8,461	8,842
EU excluding Sweden	2,370	2,325
Rest of Europe	400	305
North America	1,344	1,411
Latin America	1,424	313
Asia	3,552	2,507
Africa	311	307
Australia, etc.	160	165
Total	18,022	16,175

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

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

Long-term customer contracts

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

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

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

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

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

Sales of goods

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

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

Service assignments

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

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

Royalties

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

Sales by significant source

MSEK	Group		Parent Company	
	2015	2014	2015	2014
Long-term customer contracts	16,798	14,137	11,356	10,259
Sale of goods	3,606	3,569	2,543	2,422
Service assignments	6,733	5,796	4,120	3,492
Royalties	49	25	3	2
Total	27,186	23,527	18,022	16,175

Operating expenses

The income statement is classified according to function as follows:

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

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

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

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

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

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

MSEK	Group	
	2015	2014
Materials and components	6,949	5,450
Purchased services	2,501	1,956
Personnel costs	11,401	10,601
Depreciation/amortisation and write-downs	1,008	857
Other external costs	3,789	3,431
Total	25,648	22,295

Depreciation/amortisation and write-downs includes write-downs and reversal of write-downs on inventory. Depreciation and amortisation in the leasing operations (Saab Aircraft Leasing) are not included.

NOTE 6 OTHER OPERATING INCOME

MSEK	Group		Parent Company	
	2015	2014	2015	2014
Gain on sale of Group companies	245	57	-	-
Gain from other operating activities	47	24	-	-
Trading results	21	17	21	17
Gain from revaluation of earn out liability	16	24	-	-
Government grants	16	7	14	6
Gain on sale of intellectual property rights and tangible fixed assets	1	111	-	110
Change in value of investment properties	1	2	-	-
Change in fair value of biological assets	1	-	-	-
Gain on sale of associated companies	-	93	-	-
Exchange rate gains on operating receivables/liabilities and change in value of derivatives	-	21	-	7
Realised accumulated translation differences	-	18	-	-
Other	23	56	19	30
Total	371	430	54	170

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

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

NOTE 7 OTHER OPERATING EXPENSES

MSEK	Group		Parent Company	
	2015	2014	2015	2014
Loss on sale and disposal of tangible fixed assets	-17	-2	-27	-2
Exchange rate losses on operating receivables/liabilities and change in value of derivatives	-12	-3	-16	-9
Change in fair value of biological assets	-	-7	-	-
Loss from other operating activities	-	-2	-	-
Other	-19	-7	-4	-
Total	-48	-21	-47	-11

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

NOTE 8 LEASE AGREEMENTS**ACCOUNTING PRINCIPLES**

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

Some of the over 500 Saab 340 and Saab 2000 regional aircraft that have been delivered have been part of Saab's leasing portfolio, which has consisted of owned aircraft as well as aircraft obtained through operating leases.

In 2014 the owned share of the portfolio was divested and comprised 0 aircraft at year-end. In January 2015 the leases on the 6 leased aircraft still remaining at the beginning of the year were terminated.

Leasing fees for aircraft obtained/leased via operating leases

MSEK	Payments to lessors	Payments from airlines ¹⁾	Payments from airlines ²⁾
Outcome			
2014	99	36	4

¹⁾ Payments from airlines for aircraft held via operating leases and leased out via operating leases.

²⁾ Payments from airlines for owned aircraft leased out via operating leases.

No leasing fees for aircraft obtained/leased via operating leases have been paid 2015.

Leasing fees for other assets obtained via operating leases

Other leasing fees refer to premises, computers and cars. During 2015 an option to purchase one of the Group's facilities has been utilised.

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

MSEK	Group	
	Premises and buildings	Machinery and equipment
Outcome		
2014	298	149
2015	391	146
Contracted		
2016	390	121
2017	291	97
2018	226	47
2019	196	18
2020	174	5
2021 and forward	717	5
Total contracted	1,994	293

MSEK	Parent Company	
	Premises and buildings	Machinery and equipment
Outcome		
2014	197	113
2015	306	110
Contracted		
2016	321	90
2017	239	75
2018	183	35
2019	168	11
2020	154	-
2021 and forward	670	-
Total contracted	1,735	211

NOTE 9 GOVERNMENT GRANTS**ACCOUNTING PRINCIPLES**

Saab receives government grants, mainly various grants from EU related to research and development projects. These 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. Government grants are systematically recognised in the income statement in the same way and over the same periods as the expenses for which the grants are intended to compensate. Government grants related to assets are recognised in the statement of financial position as a reduction in the asset's carrying amount.

For 2015, MSEK 72 (72) has been received. MSEK 76 (82) 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 13 (18) 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 2015, the National Debt Office has paid out a net amount of MSEK 263 (263). The debt as of 31 December 2015 amounted to MSEK 148 (162), which reduces inventory in the financial statements.

No contingent liabilities or contingent assets are reported.

NOTE 10 EMPLOYEES AND STAFF COSTS

The average number of employees in 2015 amounted to 14,545 (14,106), of whom 79 per cent (79) were men. A complete list of the number of employees by country has been sent to the Swedish Companies Registration Office and can be ordered from Saab AB, Group Finance - Investor Relations.

Average number of employees¹⁾

	2015		2014	
	2015	of whom men	2014	of whom men
Parent company				
Sweden	8,428	79%	8,471	80%
EU excluding Sweden	28	75%	6	67%
Rest of Europe	13	100%	11	100%
Americas	11	91%	8	100%
Asia	73	89%	62	87%
Africa	31	87%	18	100%
Parent company, total	8,584	79%	8,576	80%
Group companies				
Sweden	3,402	78%	2,931	78%
EU excluding Sweden	714	82%	711	82%
Rest of Europe	147	77%	165	74%
Americas	595	75%	663	74%
Asia	104	76%	107	77%
Africa	684	73%	656	73%
Australia, etc.	315	81%	297	80%
Group companies, total	5,961	78%	5,530	78%
Group, total	14,545	79%	14,106	79%

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

Gender distribution of corporate management

Share of women, per cent	Parent Company	
	2015	2014
Board of Directors	33	33
Other senior executives	33	33

Salaries, other remuneration and social security expenses

MSEK	2015		2014	
	Salaries and other remuneration	Social security expenses	Salaries and other remuneration	Social security expenses
Parent Company	4,774	2,256	4,660	1,900
of which pension costs ¹⁾	-	820	-	474
Group companies	3,394	977	3,003	1,038
of which pension costs ²⁾	-	399	-	537
Group, total	8,168	3,233	7,663	2,938
of which pension costs ³⁾	-	1,219	-	1,011

¹⁾ Of the Parent Company's pension costs, MSEK 13 (10) referred to the Parent Company's Board and President, including deputies and Executive Vice President. The company's outstanding pension obligations for these individuals, amount to MSEK 22 (23), of which MSEK 21 (23) referred to former Board members and President, including deputies and Executive Vice Presidents.

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

³⁾ Of the Group's pension costs, MSEK 9 (17) referred to the Group's and Group companies' boards and Presidents. The Group's outstanding pension obligations for these individuals amounted to MSEK 28 (29), of which MSEK 21 (23) referred to former board members and Presidents.

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

MSEK	2015		2014	
	Board, President and Executive Vice Presidents	Other employees	Board, President and Executive Vice Presidents	Other employees
Parent Company	27	4,747	25	4,635
of which variable remuneration	-	-	-	-
Group companies	80	3,314	75	2,928
of which variable remuneration	2	-	1	-
Group, total	107	8,061	100	7,563
of which variable remuneration	2	-	1	-

Of the salaries and remuneration paid to other employees in the Group, MSEK 43 (30) referred to senior executives other than Board members and the President.

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

SENIOR EXECUTIVES' BENEFITS**Remuneration to Board members**

In accordance with the resolution of the Annual General Meeting, the fees paid to members of the Board, for the term April 2015 – April 2016, amount to SEK 5,300,000 (4,635,000), consisting of SEK 1,400,000 (1,230,000) to the Chairman, SEK 600,000 (525,000) to the Deputy Chairman and SEK 550,000 (480,000) 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 2015 – April 2016, committee chairman Per-Arne Sandström also received a fee of SEK 180,000 (180,000) and committee members Johan Forssell and Joakim Westh each received a fee of SEK 120,000 (120,000).

For remuneration committee work, during the term April 2015 – April 2016, 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 2015 is shown in the table below.

Note 10, cont.

Remuneration to the President

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

Håkan Buskhe has participated since 1 September 2010 in the Performance Share Plans approved by each Annual General Meeting from 2009 to 2014 and in the Share Matching Plans for 2011–2014.

Outstanding matching rights in the Performance Share Plan and Share Matching Plan 2011 amounted to SEK 71,047 (331,897) as of 31 December 2015 at estimated outcomes and in the Performance Share Plan and the Share Matching Plan 2012 to SEK 347,112 (196,889) at estimated outcomes. Corresponding figures for the Performance Share Plans and the Share Matching Plans 2013 are SEK 1,477,871 (362,585) at estimated outcomes, and for Saab's Performance Share Plans and the Share Matching Plans 2014 to SEK 345,360 at estimated outcomes.

During the period 1 January through 31 December 2015, Håkan Buskhe received salary and other benefits totalling SEK 13,673,590 (12,003,325), of which other benefits, including share related plans, amounted to SEK 1,792,923 (1,407,998).

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 35 per cent of the fixed salary. Pension premiums are paid as long as the President remains an employee of the company, but not beyond the age of 62.

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

For 2015, the cost of Håkan Buskhe's pension, including ITP, was SEK 4,280,797 (4,222,203).

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 11 (9) individuals at 31 December 2015; specifically, Executive Vice Presidents, Heads of the Business Areas and Heads of Group staffs. At 31 December 2015 Group Management was comprised of Håkan Buskhe (President), Lennart Sindahl, Magnus Örnberg, Görgen Johansson, Micael Johansson, Jonas Hjelm, Ann-Kristin Adolfsson, Ulf Nilsson, Annika Bäreimo, Dan Jangblad, Åsa Thegström, and Lena Eliasson.

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

Of the other senior executives, 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 305,280 has been paid during 2015 and thereby the total amount of SEK 1,990,000 has been paid.

Since November 2008, all eligible executives have participated in the Performance Share Plans approved by each Annual General Meeting from 2009 to 2014 and in the Share Matching Plans for 2011–2014. The Performance Share Plan 2011 was concluded in January 2016. Outstanding matching rights in the Performance Share Plan and the Share Matching Plan 2011 amount to SEK 148,159 (637,833) as of 31 December 2015 at estimated outcomes. Corresponding figures for the Performance Share Plans and the Share Matching Plans 2012 and 2013

amount to SEK 714,479 (476,532) and SEK 2,245,682 (624,927), respectively, at estimated outcomes and for Saab's Performance Share Plans and the Share Matching Plan 2014 to SEK 670,135 at estimated outcomes.

In 2015, the other senior executives received salaries and other benefits totalling SEK 49,480,374 (34,550,213), of which other benefits, including share related plans, amounted to SEK 5,912,308 (3,616,076).

Pension terms

As of 1 January 2005, the pension age 62 years is applied to all other senior executives. However, one person has the pension age 60 years and two persons have a pension age according to existing law and collective agreement.

In addition to ITP, 9 members of the group (9) 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 2015, pension costs for other senior executives, including ITP and its equivalent, amounted to SEK 14,325,571 (12,063,664). 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 and severance pay

If terminated by the company, the group of other senior executives normally receives a salary and pension benefits for six months (period of notice). Thereafter 9 senior executives receive severance pay, according to agreement, equivalent to a maximum of 18 months of salary, based on their fixed salary. Severance is paid monthly with the first payment in the month after employment has ended. Severance is not paid for the period falling after the contractual pension age. Employees hired before 1 January 2005 who have reached the age of 55 are entitled to an additional six months of severance. Together, the term of notice and severance may not exceed 24 months.

The 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 10, cont.

Summary of compensation and other benefits during 2015

SEK	Base salary/ Board and committee fee	Variable compensation	Share related plans ⁵⁾	Other benefits ³⁾	Pension cost	Total	Outstanding matching rights in share related plans at estimated outcomes ⁵⁾
Chairman of the Board							
Marcus Wallenberg	1,437,500	-	-	-	-	1,437,500 ²⁾	-
Deputy Chairman							
Sten Jakobsson	661,250	-	-	-	-	661,250	-
Other Board members							
Sara Mazur	532,500	-	-	-	-	532,500	-
Johan Forssell	652,500	-	-	-	-	652,500	-
Per-Arne Sandström	712,500	-	-	-	-	712,500 ²⁾	-
Cecilia Stegö Chilò	532,500	-	-	-	-	532,500	-
Lena Treschow Torell	667,500	-	-	-	-	667,500 ²⁾	-
Joakim Westh	652,500	-	-	-	-	652,500 ²⁾	-
President and CEO Håkan Buskhe	11,880,667	-	1,707,903	85,020	4,280,797	17,954,387	2,241,391
Other senior executives	43,262,786 ⁴⁾	305,280 ¹⁾	3,817,590 ⁴⁾	2,094,718	14,325,571	63,805,945	3,778,455
Total	60,992,203	305,280	5,525,493	2,179,738	18,606,368	87,609,082	6,019,846

¹⁾ Including remuneration to two senior executives, which, as agreed, was paid in the form of pension premiums.

²⁾ Social security costs are additional, since the fees are invoiced through a limited company. Board members who invoice their Board and committee fees through a limited company may on their invoices add social security contributions. The social security contributions included in the invoiced amount may not exceed the employer's contribution that the company otherwise would have paid.

³⁾ Including compensation for the additional costs incurred due to the benefits.

⁴⁾ Including estimated remuneration for the senior executives who left Group Management in 2015, see also page 58 in the administration report.

⁵⁾ 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 2014

SEK	Base salary/ Board and committee fee	Variable compensation	Share related plans ²⁾	Other benefits ³⁾	Pension cost	Total	Outstanding matching rights in share related plans at estimated outcomes ²⁾
Chairman of the Board							
Marcus Wallenberg	1,298,750	-	-	-	-	1,298,750	-
Deputy Chairman							
Sten Jakobsson	596,250	-	-	-	-	596,250	-
Other Board members							
Sara Mazur	475,000	-	-	-	-	475,000	-
Johan Forssell	590,000	-	-	-	-	590,000	-
Per-Arne Sandström	647,500	-	-	-	-	647,500 ⁴⁾	-
Cecilia Stegö Chilò	475,000	-	-	-	-	475,000	-
Lena Treschow Torell	610,000	-	-	-	-	610,000 ⁴⁾	-
Joakim Westh	590,000	-	-	-	-	590,000	-
President and CEO Håkan Buskhe	10,595,327	-	1,366,099	41,899	4,222,203	16,225,528	1,386,416
Other senior executives	30,270,801	663,336 ¹⁾	1,804,352	1,811,724	12,063,664	46,613,877	2,107,656
Total	46,148,628	663,336	3,170,451	1,853,623	16,285,867	68,121,905	3,494,072

¹⁾ Including remuneration to two senior executives, which, according to a resolution, was paid in the form of pension premiums.

²⁾ Share related plans relate to both Share Matching Plans and Performance Share Plans.

³⁾ Including compensation for the additional costs the benefits lead to.

⁴⁾ Social security costs must be added since 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.

Note 10, cont.

SHARE-BASED PAYMENT

ACCOUNTING PRINCIPLES

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

Saab has a Global Share Matching Plan where all permanent employees are entitled to participate. The payroll expenses for matching shares in the plan are recognised during the vesting period based on the fair value of the shares. The employees pay a price for the share that corresponds to the share price on the investment date. Three years after the investment date, employees are allotted as many shares as they purchased three years earlier provided that they are still employees of the Saab Group and that the shares have not been sold.

In certain countries, social security expenses are paid on the value of the employee's benefit when matching takes place. During the vesting period, provisions are allocated for these estimated social security expenses. Share repurchases to fulfill the commitments of Saab's Share Matching Plans are recognised in equity.

In addition, a performance-based Share Matching Plan for senior executives entitles them to 2–7 performance shares, depending on the employee category to which they belong. The 2011–2013 plans pay out 1–4 performance shares.

Long-term incentive programme

The Annual General Meeting of Saab has resolved for a number of years to offer a long-term incentive programme consisting of two parts: a Share Matching Plan and a Performance Share Plan. The reason is that the Board considers it important that Saab's employees share a long-term interest in a good value development of the company's shares. The long-term incentive programme comprises not more than 1,340,000 Series B shares in Saab per year.

Since 2007, Saab offers permanent employees the opportunity to participate in the Share Matching Plan. Employees can withhold up to 5 per cent of their gross base salary to purchase Series B shares on Nasdaq Stockholm during a twelve-month period. Provided that a participant retains the purchased shares for three years after the investment date and is still employed by the Saab Group, the participant will be allotted a corresponding number of Series B shares free of charge. Currently, Share Matching Plans 2012–2015 are in place.

Since 2008, Saab also has a Performance Share Plan for senior Executives and key employees. In the Performance Share Plans for 2011–2013, up to 286 key employees (in each plan), including the President, are able to allocate a maximum of 7.5 per cent of their gross fixed salary to purchase Saab Series B shares during a 12-month period. Investments made under this plan also count as a basis for participation in the Share Matching Plan, up to a maximum of 5 per cent of base salary. In addition to the requirement that the employee remain employed by Saab after three years, earnings per share must grow by an annual average of 5 to 15 per cent during the three-year period to qualify for matching performance shares. The Performance Share Plans 2011–2013 entitle participants to 1–4 performance shares, depending on employee category. The Board may reduce the number of performance shares if the Board considers it reasonable given the company's financial results and position, conditions on the stock market and other circumstances.

In April 2014, Saab's Annual General Meeting resolved to modify the Performance Share Plan to increase interest among the target group. The Performance Share Plan now covers a maximum of 175 key employees, including the President. Participants can also save up to 7.5 per cent of their base salary in this plan to purchase Series B shares during a twelve-month period, while participating in the Share Matching Plan as well. Depending on which category they belong to, participants are entitled to 2–7 performance shares for each purchased share.

Participants are entitled to performance shares, free of consideration, provided that the performance targets are achieved and the participants have retained the purchased shares for three years after the investment date and remain employed by the Saab Group.

The number of performance shares is linked to the performance targets established by the Board of Directors. The terms for the performance matching are based on three independent targets for a one-year performance period: organic sales growth¹⁾, EBIT margin²⁾ and free cash flow³⁾. The relative apportionment between the targets is as follows: 30 per cent of the allotment is attributable to organic sales

growth, 40 per cent to EBIT margin and 30 per cent to free cash flow. The performance targets are established by the Board of Directors with a minimum and maximum level for each target. The Board of Directors decides on the performance matching after the end of the one-year performance period. If the maximum levels for the performance targets are reached or exceeded, the performance matching will amount to (and not exceed) the maximum of 440,000 shares. If the performance outcome falls short of the maximum level but exceeds the minimum level, a linear proportionate performance matching will occur. No performance matching will occur if the performance outcome is equal to or below the minimum level. Before the performance matching is ultimately determined, the Board of Directors will assess whether it is reasonable in relation to the company's financial results and position, conditions in the stock market and other circumstances. If it determines that this is not the case, the Board of Directors will reduce the number of performance shares that will be matched to the lower number of shares it considers appropriate.

Performance shares are allotted three years after the investment. Currently, Performance Share Plans 2012–2015 are in place.

¹⁾ Adjusted for acquisitions and divestments as well as exchange rate differences.

²⁾ Adjusted for acquisitions and divestments as well as non-recurring items.

³⁾ Adjusted for acquisitions and divestments as well as non-recurring items.

Events 2015

2011 Share Matching Plan and Performance Share Plan

In Share Matching Plan 2011, matching took place on three occasions in 2015 and once in January 2016 with a total of 422,955 shares. Consequently, the plan is closed. Following the close of the measurement period for Performance Share Plan 2011, on 31 December 2014, 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 not been met, due to which no performance shares were allocated in 2015. The plan is closed.

2012 Share Matching Plan and Performance Share Plan

Matching in Share Matching Plan will take place on three occasions in 2016 and once in January 2017. Following the close of the measurement period for Performance Share Plan 2012, on 31 December 2015, 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 not been met, due to which no performance shares will be allocated in 2016.

2014 Performance Share Plan

After the end of the one-year performance period in Performance Share Plan 2014, on 31 December 2015, it was determined that the annual target had been partly achieved and the Board of Directors approved performance matching as follows. Performance matching will take place on three occasions in 2018 and one occasion in February 2019.

Performance Share Plan 2014	Reported outcome	Outcome performance targets, %	Weighted, %	Allotment, %
Organic sales growth	11 %	73	30	22
EBIT margin ¹⁾	6,7 %	60	40	24
Free cash flow ²⁾	MSEK -807	-	30	-
Total allotment				46

¹⁾ Adjusted for acquisitions and divestments as well as non-recurring items, including restructuring costs related to the reorganisation of the former business area Security and Defence Solutions for the full year 2015.

²⁾ Previously named operating cash flow. Adjusted for acquisitions and divestments of operations, group and associated companies.

2015 Share Matching Plan and Performance Share Plan

In April 2015, Saab's Annual General Meeting resolved, similar to previous years, to offer employees the opportunity to participate in a long-term incentive programme, consisting of a Share Matching Plan and a Performance Share Plan with terms comparable to the 2014 plans. The Performance Share Plan covers senior executives and key employees and entitles them to 2–7 performance shares, depending on the employee category to which they belong. The plans started in January 2016 and continue to February 2020. The performance period for Performance Share Plan 2015 extends through the calendar year 2016. The two plans comprise a maximum of 1,340,000 shares.

Note 10, cont.

**Number of Series B shares purchased and number of participants,
Share Matching Plan, 2011–2014**

Share Matching Plan	Number of shares	Number of participants
2011	495,874	2,970
2012	491,142	3,475
2013	389,346	3,781
2014	376,198	4,997

**Number of Series B shares purchased and number of participants,
Performance Share Plan, 2011–2014**

Share Matching Plan	Number of shares	Number of participants
2011	85,474	176
2012	72,213	177
2013	53,307	164
2014	41,512	145

Share Matching Plan	2011	2012	2013	2014	Total
Number of matching shares at beginning of the year	447,844	468,956	317,776	-	1,234,576
Allotted during the year (purchased shares)	-	-	65,409	376,198	441,607
Early share matching	-8,168	-13,808	-8,879	-3,498	-34,353
Ordinary share matching	-359,132	-	-	-	-359,132
Forfeited matching shares	-15,218	-9,624	-8,001	-3,807	-36,650
Number of matching shares eligible at year-end	65,326	445,524	366,305	368,893	1,246,048
Number of participants, 31 December 2015	2,632	3,172	3,648	4,956	
% of total number of employees	18	22	25	34	
Average remaining maturity, years	-	0.7	1.7	2.8	

Performance share Plan	2011	2012	2013	2014	Total
Number of matching shares at beginning of the year	73,136	68,902	43,943	-	185,981
Allotted during the year (purchased shares)	-	-	8,318	41,512	49,830
Early share matching	-383	-1,555	-425	-794	-3,157
Ordinary share matching	-54,204	-	-	-	-54,204
Forfeited matching shares	-7,936	-469	-767	-440	-9,612
Number of matching shares eligible at year-end	10,613	66,878	51,069	40,278	168,838
Number of participants, 31 December 2015	156	167	161	139	
Average remaining maturity, years	-	0.7	1.7	2.8	

Total number of shares eligible at year-end	2011	2012	2013	2014	Total
Share Matching Plan	65,326	445,524	366,305	368,893	1,246,048
Performance Share Plan	10,613	66,878	51,069	40,278	168,838
Less: Shares included in both plans	-10,613	-66,878	-51,069	-40,278	-168,838
Total	65,326	445,524	366,305	368,893	1,246,048

**Recognised expense for above-mentioned plan,
including social security expenses, MSEK**

	2015	2014
Share Matching Plan 2010	-	17
Share Matching Plan 2011	30	23
Share Matching Plan 2012	31	28
Share Matching Plan 2013	32	11
Share Matching Plan 2014	16	-
Performance Share Plan 2010	-	5
Performance Share Plan 2011	-	-
Performance Share Plan 2012	-	-3
Performance Share Plan 2013	6	2
Performance Share Plan 2014	2	-
Total	117	83

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 7 (7) in 2015.

The expense is based on the share price of the matching shares that are expected to be allotted. The share price is determined at the time of the participants' investment adjusted by the dividend that does not accrue to the employee during the vesting period.

**NOTE 11 AUDITORS' FEES AND
COMPENSATION**

MSEK	Group		Parent Company	
	2015	2014	2015	2014
PwC				
Audit assignments	18	18	10	10
Audit work in excess of the audit assignment	2	1	2	1
Tax advice	1	1	-	-
Other services	1	1	-	-
Other audit firms				
Audit assignments	2	2	-	-
Total	24	23	12	11

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 12 DEPRECIATION/AMORTISATION AND WRITE-DOWNS

MSEK	Group	
	2015	2014
Depreciation/amortisation		
Capitalised development costs	-323	-320
Other intangible fixed assets	-185	-146
Operating properties	-95	-90
Plant and machinery	-197	-163
Equipment, tools and installations	-159	-145
Leasing aircraft	-	-8
Total	-959	-872

MSEK	Parent Company	
	2015	2014
Depreciation/amortisation		
Capitalised development costs	-205	-202
Goodwill	-40	-40
Other intangible fixed assets	-116	-96
Buildings	-60	-56
Plant and machinery	-113	-97
Equipment, tools and installations	-107	-91
Total	-641	-582

No write-downs were recognised during 2015 or 2014.

NOTE 13 FINANCIAL INCOME AND EXPENSES

MSEK	Group	
	2015	2014
Interest income on loans receivable	9	53
Less project interest applied to gross income	-	-1
Financial income from disposals of financial assets available for sale	117	-
Financial income from revaluation and disposal of financial assets and liabilities measured at fair value through profit or loss	30	49
Other financial income	13	2
Financial income	169	103
Interest expenses on loans and financial liabilities	-88	-46
Financial expense from revaluation of financial assets available-for-sale	-	-19
Financial expenses from revaluation and disposal of financial assets and liabilities measured at fair value through profit or loss	-138	-72
Financial expenses related to pensions	-64	-57
Other financial expenses	-48	-45
Financial expenses	-338	-239
Net financial income and expenses	-169	-136

Parent Company MSEK	Result from shares in Group companies		Result from shares in associated companies/joint ventures	
	2015	2014	2015	2014
Dividends	470	104	-	-
Group contributions received	166	255	-	-
Capital gain on sale of shares	89	62	-	194
Write-downs	-839	-1	-	-
Other	47	134	-	-
Total	-67	554	-	194

Parent Company MSEK	Result from other securities and receivables held as fixed assets		Other interest income and similar profit/loss items	
	2015	2014	2015	2014
Interest income, Group companies	-	-	171	155
Other interest income	-	-	5	51
Capital gain on sale of shares	97	-	-	-
Dividend	2	-	-	-
Translation differences	5	5	-	-
Net change in value from revaluation of financial assets/liabilities	-27	-53	-	-
Less project interest applied to gross income	-	-	-	-1
Other	-24	-19	-	-
Total	53	-67	176	205

Parent Company MSEK	Interest expenses and similar profit/loss items	
	2015	2014
Interest expenses, Group companies	-10	-23
Other interest expenses	-84	-157
Total	-94	-180

NOTE 14 APPROPRIATIONS

MSEK	Parent Company	
	2015	2014
Buildings and land	10	12
Plant and machinery as well as equipment, tools and installations	-28	1
Total difference between tax depreciation and depreciation according to plan	-18	13
Tax allocation reserve	-142	-432
Total	-160	-419

NOTE 15 TAXES**ACCOUNTING PRINCIPLES**

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, associated companies, and joint ventures that are not expected to be reversed within the foreseeable future. The valuation of deferred tax is based on how the carrying amounts of assets or liabilities are expected to be realised or settled. Deferred tax is calculated by applying the tax rates and tax rules that have been set or essentially are set as of the closing day.

Deferred tax assets from deductible temporary differences and tax loss carry forwards are only recognised to the extent it is likely that they will be utilised. The value of deferred tax assets is reduced when it is no longer considered likely that they can be utilised. Deferred tax assets are set off against deferred tax liabilities when the receivable and liability refer to the same tax authority.

Tax recognised through profit or loss

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

MSEK	Group	
	2015	2014
Current tax expense (-)/tax income (+)		
Taxes for the year	-195	-403
Adjustment for taxes related to previous years	-13	18
Total	-208	-385
Deferred tax expense (-)/tax income (+)		
Deferred tax related to temporary differences	-64	-32
Deferred tax related to value of tax loss carry forwards capitalised during the year	19	55
Deferred tax expense due to utilisation of previously capitalised tax value in tax loss carry forwards	-67	-4
Deferred tax related to previous years	-9	11
Total	-121	30
Total recognised tax in the Group	-329	-355

The Group's overall deferred tax amounted to MSEK -121 (30) and current tax expense for the year amounted to MSEK -208 (-385), producing a total recognised tax of MSEK -329 (-355) in the consolidated income statement. The table "Change in deferred tax in temporary differences and tax loss carry forwards" for the Group, on page 85, specifies how deferred tax affects income.

MSEK	Parent Company	
	2015	2014
Current tax expense (-)/tax income (+)		
Taxes for the year	-97	-287
Adjustment for taxes related to previous years	-17	21
Total	-114	-266
Deferred tax expense (-)/tax income (+)		
Deferred tax related to temporary differences	-39	-34
Deferred tax related to previous years	-	-17
Total	-39	-51
Total recognised tax in the Parent Company	-153	-317

Reconciliation of effective tax

MSEK	Group			
	2015 (%)	2015	2014 (%)	2014
Income before taxes		1,731		1,523
Tax according to current tax rate for the Parent Company	-22.0	-381	-22.0	-335
Effect of other tax rates for foreign operations	0.3	5	0.7	11
Effect of changed tax rate	-	-1	-	-
Non-deductible expenses	-2.9	-50	-9.7	-147
Tax-exempt income	6.9	120	4.6	70
Tax on utilisation of previously non-capitalised tax loss carry forwards	-	-	0.3	4
Capitalisation of tax loss carry forwards attributable to previous years	-	-	0.9	13
Tax related to previous years	-1.3	-22	1.9	29
Reported effective tax	-19.0	-329	-23.3	-355

Capital gains/losses from sale of Group companies, associated companies and other shares and reduction of liability for conditional consideration have affected tax-exempt income by MSEK 378 (182).

MSEK	Parent Company			
	2015 (%)	2015	2014 (%)	2014
Income before taxes		116		1,487
Tax according to current tax rate for the Parent Company	-22.0	-26	-22.0	-327
Tax allocated to foreign operations	-15.5	-18	0.1	2
Tax related to previous years	-	-	0.1	2
Non-deductible expenses	-232.8	-270	-5.5	-82
Tax-exempt income	138.4	161	5.9	88
Reported effective tax	-131.9	-153	-21.3	-317

Note 15, cont.

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

Group, MSEK	Intangible fixed assets	Tangible fixed assets	Inventories	Provisions for pensions	Other provisions	Tax allocation reserves	Contingency reserve ¹⁾	Tax loss carry forwards	Other	Total	Set-off	Tax assets/liabilities, net
Opening balance 1 Jan 2014	-392	-361	187	391	284	-264	-299	188	4	-262		-262
Recognised in profit or loss	120	-10	23	99	-88	-94	-	51	-71	30		30
Recognised in other comprehensive income	-	-	-	266	-	-	-	-	253	519		519
Acquisition/divestment of operations	-	-1	-	5	132	-	-	135	11	282		282
Translation differences	-13	-8	9	-2	12	-	-	28	13	39		39
Closing balance 31 Dec 2014	-285	-380	219	759	340	-358	-299	402	210	608		608
Of which, deferred tax assets	8	9	220	770	342	-	-	402	325	2,076	-1,420	656
Of which, deferred tax liabilities	-293	-389	-1	-11	-2	-358	-299	-	-115	-1,468	1,420	-48
Opening balance 1 Jan 2015	-285	-380	219	759	340	-358	-299	402	210	608		608
Recognised in profit or loss	-19	-83	35	42	-35	-32	-	-48	19	-121		-121
Recognised in other comprehensive income	-	-	-	-183	-	-	-	-	11	-172		-172
Acquisition/divestment of operations	-	-	-	-	-	-	-	-5	-	-5		-5
Translation differences	-5	-3	3	-1	2	-	-	5	6	7		7
Closing balance 31 Dec 2015	-309	-466	257	617	307	-390	-299	354	246	317		317
Of which, deferred tax assets	4	8	258	617	309	-	-	354	414	1,964	-1,613	351
Of which, deferred tax liabilities	-313	-474	-1	-	-2	-390	-299	-	-168	-1,647	1,613	-34

¹⁾ Attributable to Larsen Försäkrings AB.

The Group's total deferred tax income in the 2015 income statement amounted to MSEK -121 (30). The Group's total deferred tax income in the statement of comprehensive income amounted to MSEK -172 (519). The closing balance on 31 December 2015, MSEK 317 (608), consisted of deferred tax assets of MSEK 351 (656) and tax liabilities of MSEK -34 (-48).

The net change in the year's tax loss carry forwards, excluding acquisition/divestment of operations and translation differences, totals MSEK -48 (51), which is the amount of deferred tax on capitalised tax value in tax loss carry forwards, MSEK 19 (55), and deferred tax expense due to utilisation of previously capitalised tax value in tax loss carry forwards, MSEK -67 (-4).

Other numbers in the "Recognised in profit or loss" row in the table above total MSEK -73 (-21), which is the amount of deferred tax related to temporary differences and deferred tax attributable to previous years.

Note 15, cont.

Tax items recognised directly against other comprehensive income

MSEK	Group	
	2015	2014
Provisions for pensions	-183	266
Cash flow hedges	11	253
Total	-172	519

Expiration of recognised and unrecognised tax loss carry forwards

MSEK Expiration	Recognised tax loss carry forwards	Unrecognised tax loss carry forwards
Unlimited expiration	745	38
2029	2	-
2031	311	-
2032	9	-
2034	145	-
Total tax loss carry forwards	1,212	38

Recognised deferred tax asset	354	-
--------------------------------------	------------	----------

At the close of 2015 Saab's unrecognised tax loss carry forwards totalled MSEK 38 (44). Tax loss carry forwards attributable to the US operations can be utilised through 2034, but expire in part as of 2029.

Parent Company MSEK	Deferred tax assets 31-12-2015	Deferred tax liabilities 31-12-2015	Net
Tangible fixed assets	-	-214	-214
Inventories	92	-	92
Accounts receivable	2	-	2
Provisions for pensions	93	-	93
Other provisions	86	-	86
Long-term liabilities	1	-	1
Accrued expenses and deferred income	31	-	31
Tax assets/liabilities, total	305	-214	91
Set-off	-214	214	-
Tax assets/liabilities, net	91	-	91

Parent Company MSEK	Deferred tax assets 31-12-2014	Deferred tax liabilities 31-12-2014	Net
Tangible fixed assets	-	-210	-210
Inventories	88	-	88
Accounts receivable	2	-	2
Provisions for pensions	95	-	95
Other provisions	115	-	115
Accrued expenses and deferred income	41	-	41
Tax assets/liabilities, total	341	-210	131
Set-off	-210	210	-
Tax assets/liabilities, net	131	-	131

The change in deferred tax assets and liabilities in the Parent Company, Saab AB, has been recognised in profit or loss.

Estimated utilisation dates of recognised deferred tax assets

MSEK	Group	Parent Company
Deferred tax assets expected to be recovered within one year	140	10
Deferred tax assets expected to be recovered after one year	1,824	295

Estimated utilisation dates of recognised deferred tax liabilities

MSEK	Group	Parent Company
Deferred tax liabilities due for payment within one year	15	10
Deferred tax liabilities due for payment after one year	1,632	204

NOTE 16 EARNINGS PER SHARE

	2015	2014
Net income for the year attributable to Parent Company's shareholders (MSEK)	1,362	1,153
Weighted average number of common shares outstanding:		
before dilution (thousands)	105,715	106,126
after dilution (thousands)	106,450	106,916
Earnings per share, before dilution (SEK)	12.88	10.86
Earnings per share, after dilution (SEK)	12.79	10.78

The weighted average number of shares outstanding before dilution refers to the total number of shares in issue less the average number of repurchased treasury shares. The weighted average number of shares outstanding after dilution is based on the effects of all potential shares (Share Matching Plan and Performance Share Plan) that give rise to a dilution effect.

NOTE 17 INTANGIBLE FIXED ASSETS**ACCOUNTING PRINCIPLES****Goodwill**

Goodwill is distributed among cash-generating units and tested annually for impairment in the fourth quarter. Goodwill arising through the acquisition of associated companies and joint ventures is included in the carrying amount of the shares in the associated company and joint venture.

In acquisitions where the cost is less than, on the one hand, the net of the cost of the Group company's shares, the value of non-controlling interests in the acquired company and the fair value of the previously owned interest and, on the other, the carrying amount of the acquired assets and assumed liabilities in the acquisition analysis, the difference is recognised directly through profit or loss.

Research and development

Expenditures for research undertaken in an effort to gain new scientific or technological knowledge are expensed when incurred.

Expenditures for development, where the research results or other knowledge is applied to new or improved products or processes, are recognised as an asset in the statement of financial position from the time when the product or process in the future is expected to be technically and commercially usable, the company has sufficient resources to complete development and subsequently use or sell the intangible asset, and the product or process is likely to generate future economic benefits. The carrying amount includes expenditures for material, direct expenditures for salaries and, if applicable, other expenditures that are considered directly attributable to the asset. Other expenditures for development are recognised in profit or loss as an expense when they arise. Development expenditures are recognised in the statement of financial position at cost less accumulated amortisation and any impairment losses. Customer-financed research and development is recognised in cost of goods sold rather than capitalised.

Other intangible fixed assets

Other 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.

Impairment of goodwill and other intangible assets

The carrying amount of intangible fixed assets is tested on each closing day for any indication of impairment. If an indication exists, the asset's recoverable amount is calculated.

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

The recoverable amount of an asset is the higher of its fair value less selling expenses and value in use. Value in use is measured by discounting future cash flows using a discounting factor that takes into account the risk-free rate of interest plus supplemental interest corresponding to the risk associated with the specific asset.

If essentially independent cash flows cannot be isolated for individual assets, the assets are grouped at the lowest levels where essentially independent cash flows can be identified (cash-generating units). An impairment loss is recognised when the carrying amount of an asset or cash-generating unit exceeds its recoverable value. Impairment losses are charged against the income statement.

Impairment losses attributable to a cash-generating unit (pool of units) are mainly allocated to goodwill, after which they are divided proportionately among other assets in the unit (the pool of units).

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

MSEK	Group		Parent Company	
	31-12-2015	31-12-2014	31-12-2015	31-12-2014
Goodwill	5,045	5,015	413	453
Capitalised development costs	1,157	952	256	461
Other intangible assets	274	384	134	203
Total	6,476	6,351	803	1,117

MSEK	Group		Parent Company	
	2015	2014	2015	2014
Goodwill				
Acquisition value				
Opening balance, 1 January	5,712	5,302	784	784
Business combinations	-	218	-	-
Translation differences	30	192	-	-
Closing balance, 31 December	5,742	5,712	784	784
Amortisation and write-downs				
Opening balance, 1 January	-697	-697	-331	-291
Amortisation for the year	-	-	-40	-40
Closing balance, 31 December	-697	-697	-371	-331
Carrying amount, 31 December	5,045	5,015	413	453

Acquisitions through business combinations 2014 relate to ThyssenKrupp Marine Systems AB.

Note 17, cont.

Capitalised development costs

MSEK	Group		Parent Company	
	2015	2014	2015	2014
Acquisition value				
Opening balance, 1 January	5,862	5,898	2,010	2,010
Internally developed assets	524	171	-	-
Disposals and reclassifications	-	-257	-	-
Translation differences	-20	50	-	-
Closing balance, 31 December	6,366	5,862	2,010	2,010
Amortisation and write-downs				
Opening balance, 1 January	-4,910	-4,560	-1,549	-1,348
Amortisation for the year	-323	-320	-205	-202
Translation differences	24	-30	-	1
Closing balance, 31 December	-5,209	-4,910	-1,754	-1,549
Carrying amount, 31 December	1,157	952	256	461

Other intangible assets

MSEK	Group		Parent Company	
	2015	2014	2015	2014
Acquisition value				
Opening balance, 1 January	1,847	1,651	1,323	1,261
Business combinations	5	88	-	-
Investments	70	68	49	63
Disposals and reclassifications	-9	-4	-7	-
Translation differences	2	44	-1	-1
Closing balance, 31 December	1,915	1,847	1,364	1,323
Amortisation and write-downs				
Opening balance, 1 January	-1,463	-1,254	-1,120	-1,024
Amortisation for the year	-185	-146	-116	-96
Business combinations	-	-47	-	-
Disposals and reclassifications	5	4	5	-
Translation differences	2	-20	1	-
Closing balance, 31 December	-1,641	-1,463	-1,230	-1,120
Carrying amount, 31 December	274	384	134	203

Acquisitions through business combinations 2014 relate to ThyssenKrupp Marine Systems AB.

Amortisation is included in the following lines in the income statement

MSEK	Group		Parent Company	
	2015	2014	2015	2014
Cost of goods sold	184	144	156	136
Marketing expenses	1	2	-	-
Research and development costs	323	320	205	202

Development costs

The significant items in total capitalisation are development costs for radar and sensors, electronic warfare systems, Air Traffic Management (ATM), and airborne surveillance systems.

Development costs are capitalised only in the consolidated accounts. In legal units, all costs for development work are expensed. Capitalised development costs in the Parent Company relate to acquired development costs.

Other intangible fixed assets

Significant items in the carrying amount are attributable to the acquisitions of Ericsson Microwave Systems, Sensis, MEDAV and ThyssenKrupp Marine Systems AB and relate to expenses incurred for customer relations, trademarks, patents and values in the order backlog. Of the carrying amount, MSEK 274, MSEK 156 is attributable to acquired values and MSEK 118 to licenses for operating systems etc.

Impairment tests for goodwill

In connection with business combinations, goodwill is allocated to the cash-generating units, or groups thereof, that are expected to obtain future economic benefits in the form of, for example, synergies from the acquisition. Acquired operations normally have access to knowledge, technology and solutions that will benefit large parts of the Group, and the acquired operations are usually integrated with other operations shortly after acquisition. Consequently, goodwill is allocated to and tested for impairment at the business area level, which also corresponds to the lowest level at which goodwill is monitored in internal governance.

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

Goodwill is distributed by business area as follows:

MSEK	31-12-2015	31-12-2014
Dynamics	598	596
Electronic Defence Systems	2,407	2,407
Security and Defence Solutions	1,490	1,458
Support and Services	246	246
Industrial Products and Services	304	308
Total goodwill	5,045	5,015

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 and Support and Services, forecast cash flows have exceeded the outcome of the last two years. Saab's assessment is that this does not cause any impairment.

VARIABLES USED TO CALCULATE VALUE IN USE**Volume/growth**

Growth in the cash-generating units' business plans is based on Saab's expectations with regard to development in each market area and previous experience. It is also based on estimates of cash flows that are distributed over what are often long projects and are dependent on the timing and size of advances and milestone payments. The first five years are based on the five-year business plan formulated by Group Management and approved by the Board. For cash flows after five years, the annual growth rate has been assumed to be 0 (0) per cent.

Operating margin

The operating margin is based on the units' operating income after depreciation and amortisation. 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. All business areas 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.

Note 17, cont.

All units have sales of defence materiel, unique systems, products and support solutions in the international market as their primary activity, and their business risk in this respect is considered equivalent.

Recent years' order bookings have increased the share of projects across business areas and changed the composition of the order backlog for certain units, which complicates a differentiation of discount rates between business areas. As a result, Saab has decided to apply a uniform discount rate in the impairment tests. The discount rate (WACC) used in 2015 was 10 per cent (10) pre-tax.

Sensitivity analysis

Group Management believes that reasonable possible changes in the above variables would not have such a large impact that any individually would reduce the recoverable amount to less than the carrying amount.

NOTE 18 TANGIBLE FIXED ASSETS

ACCOUNTING PRINCIPLES

Tangible fixed assets are recognised as an asset in the statement of financial position if it is likely that the future economic benefits will accrue to the Group and the cost of the asset can be reliably estimated.

Tangible fixed assets are recognised at cost after deducting accumulated depreciation and any write-down. Cost includes the purchase price and costs directly attributable to putting the asset into place and condition to be utilised in accordance with the purpose of the purchase. Examples of directly attributable expenditures included in cost are delivery and handling, installation, title and consulting services.

The cost of fixed assets produced by Saab includes expenditures for material, expenditures for employee benefits and, where applicable, other production costs considered directly attributable to the fixed asset.

The cost of tangible fixed assets includes estimated costs for disassembly and removal of the assets as well as restoration of the location or area where these assets are found.

The carrying amount of a tangible fixed asset is excluded from the statement of financial position when the asset is sold or disposed of or when no future economic benefits are expected from its use. The gain or loss that arises on the sale or disposal is comprised of the difference between the sales price and the asset's carrying amount less direct selling expenses. Such gains and losses are recognised as other operating income/expenses.

Incremental expenditures

Incremental expenditures are added to cost only if it is likely that the future economic benefits tied to the incremental expenditures will accrue to the Group and the expenditures can be reliably estimated. All other incremental expenditures are recognised as costs in the period they arise.

The determining factor whether an incremental expenditure is added to cost is whether it relates to the replacement of identifiable components, or parts thereof. If so, the cost is capitalised. Even in cases where a new component is created, the expenditure is added to cost. Any undepreciated carrying amount of replaced components, or parts of components, is disposed of and expensed in connection with the replacement. Repairs are expensed as incurred.

Depreciation

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

Estimated periods of use:

- Operating properties/buildings: 20–90 years.
- Plant and machinery: 5–10 years.
- Equipment, tools, installations and computers: 3–10 years.
- Aircraft: 17–25 years.

Each asset's residual value and period of use are estimated annually.

Impairment of tangible assets

The carrying amount of fixed assets, with the exception of assets stated at fair value, is tested on each closing day for any indication of impairment. If an indication exists, the asset's recoverable amount is calculated.

The recoverable amount of an asset is the higher of its fair value less selling expenses and value in use. Value in use is measured by discounting future cash flows using a discounting factor that takes into account the risk-free rate of interest plus supplemental interest corresponding to the risk associated with the specific asset.

If essentially independent cash flows cannot be isolated for individual assets, the assets are grouped at the lowest levels where essentially independent cash flows can be identified (cash-generating units). An impairment loss is recognised when the carrying amount of an asset or cash-generating unit exceeds its recoverable value. Impairment losses are charged against the income statement.

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

MSEK	Group		Parent Company	
	31-12-2015	31-12-2014	31-12-2015	31-12-2014
Operating properties/buildings and land ¹⁾	2,026	2,066	1,453	1,463
Plant and machinery	1,359	803	599	514
Equipment, tools and installations	546	459	342	283
Construction in progress	541	374	488	314
Total	4,472	3,702	2,882	2,574

¹⁾ In the Group, the reported amount refers to operating properties. In the Parent Company, the reported amount refers to buildings and land.

Operating properties/buildings and land¹⁾

MSEK	Group		Parent Company	
	2015	2014	2015	2014
Acquisition value				
Opening balance, 1 January	4,858	4,881	2,087	1,928
Business combinations	-	243	-	-
Investments	48	91	39	84
Reclassifications	39	131	40	95
Divestments	-36	-535	-43	-20
Translation differences	-11	47	-	-
Closing balance, 31 December	4,898	4,858	2,123	2,087
Depreciation and write-downs				
Opening balance, 1 January	-2,792	-2,993	-1,521	-1,485
Depreciation for the year	-95	-90	-60	-56
Business combinations	-	-164	-	-
Divestments	19	467	14	20
Translation differences	-4	-12	-	-
Closing balance, 31 December	-2,872	-2,792	-1,567	-1,521
Revaluations				
Opening balance, 1 January	-	-	897	897
Closing balance, 31 December	-	-	897	897
Carrying amount, 31 December	2,026	2,066	1,453	1,463

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 95. The property is depreciated on a straight-line basis over its period of use through 2025.

Note 18, cont.

Total future minimum lease fees amount to MSEK 121, of which MSEK 12 is due within one year, MSEK 48 after one year but within five years, and MSEK 61 after five years. The present value of future minimum lease fees is MSEK 103.

Plant and machinery

MSEK	Group		Parent Company	
	2015	2014	2015	2014
Acquisition value				
Opening balance, 1 January	3,936	3,310	2,416	2,330
Business combinations	-	368	-	-
Acquisitions from companies within the Group	-	-	14	-
Investments	734	238	199	176
Reclassifications	22	15	-5	1
Divestments	-71	-110	-51	-91
Translation differences	16	115	-	-
Closing balance, 31 December	4,637	3,936	2,573	2,416
Depreciation and write-downs				
Opening balance, 1 January	-3,133	-2,659	-1,902	-1,885
Depreciation for the year	-197	-163	-113	-97
Business combinations	-	-312	-	-
Acquisitions from companies within the Group	-	-	-8	-
Reclassifications	4	-1	-	-
Divestments	64	96	49	80
Translation differences	-16	-94	-	-
Closing balance, 31 December	-3,278	-3,133	-1,974	-1,902
Carrying amount, 31 December	1,359	803	599	514

Acquisitions through business combinations 2014 relate to ThyssenKrupp Marine Systems AB.

Plant and machinery includes an aircraft which is leased through a finance lease. The finance lease extends through 2020. The carrying amount is MSEK 452. The aircraft is depreciated on a straight-line basis over its period of use. Total future minimum lease payments amount to MSEK 457, of which MSEK 32 is due within one year and MSEK 425 is due later than one year but within five years. The present value of the future minimum lease fees amounts to MSEK 435.

Equipment, tools and installations

MSEK	Group		Parent Company	
	2015	2014	2015	2014
Acquisition value				
Opening balance, 1 January	2,079	1,838	1,247	1,127
Business combinations	-	134	-	-
Investments	216	233	138	178
Reclassifications	36	11	28	-1
Divestments	-205	-162	-130	-57
Translation differences	-14	25	-	-
Closing balance, 31 December	2,112	2,079	1,283	1,247
Depreciation and write-downs				
Opening balance, 1 January	-1,620	-1,489	-964	-930
Depreciation for the year	-159	-145	-107	-91
Business combinations	-	-122	-	-
Reclassifications	2	1	-	-
Divestments	203	155	130	57
Translation differences	8	-20	-	-
Closing balance, 31 December	-1,566	-1,620	-941	-964
Carrying amount, 31 December	546	459	342	283

Acquisitions through business combinations 2014 relate to ThyssenKrupp Marine Systems AB.

Construction in progress

MSEK	Group		Parent Company	
	2015	2014	2015	2014
Acquisition value				
Opening balance, 1 January	374	351	314	297
Business combinations	-	10	-	-
Investments	275	170	235	113
Reclassifications	-103	-159	-61	-96
Divestments	-	1	-	-
Translation differences	-5	1	-	-
Carrying amount, 31 December	541	374	488	314

Acquisitions through business combinations 2014 relate to ThyssenKrupp Marine Systems AB.

Collateral

On 31 December 2015 property with a carrying amount of MSEK 0 (0) was pledged as collateral for bank loans.

NOTE 19 BIOLOGICAL ASSETS**ACCOUNTING PRINCIPLES**

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

MSEK	Group	
	2015	2014
Living forest		
Carrying amount, 1 January	289	296
Change in fair value	10	5
Less fair value logging	-9	-12
Carrying amount, 31 December	290	289
Of which fixed assets	290	289

On 31 December 2015, biological assets consisted of approximately 371,000 m³ of spruce, 603,000 m³ of pine and 98,000 m³ of hardwood. Forest growth is estimated at 48,000 m³ timber per year. During the year, approximately 23,200 m³ of timber was felled, which had a fair value in the Group, after deduction of selling expenses, of MSEK 9 on the felling date.

The valuation of forests has been done with the help of independent appraisers. The forestry property has been valued according to the market comparison method. In the valuation according to the market comparison method, the environmental impact on a firing range within the property has not been taken into account. An adjustment for the environmental impact has therefore been made by reducing fair value by an amount corresponding to the market value of the size of the firing range (4,457 hectares) less the value of the timber.

NOTE 20 INVESTMENT PROPERTIES**ACCOUNTING PRINCIPLES GROUP**

Investment properties are properties held to earn rental income, for capital appreciation or a combination of both. Investment properties are carried in the statement of financial position at fair value. Fair value has been determined by calculating net rental income, which then serves as the basis of a valuation of fair value.

Information on fair value of investment properties in the Group

MSEK	Group	
	2015	2014
Carrying amount, 1 January	33	31
Revaluation	1	2
Carrying amount, 31 December	34	33

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.

MSEK	Group	
	2015	2014
Effect on net income/net rental income		
Rental income	4	4
Direct costs for investment properties that generated rental income during the year	-2	-2
Effect on net income/net rental income	2	2

ACCOUNTING PRINCIPLES 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.

Information on fair value of investment properties in the Parent Company

MSEK	Parent Company	
	2015	2014
Fair value		
Opening fair value, 1 January	164	164
Revaluation	-	-
Closing fair value, 31 December	164	164

MSEK	Parent Company	
	2015	2014
Effect on net income/net rental income		
Rental income	32	26
Direct costs for investment properties that generated rental income during the year	-10	-9
Effect on net income /net rental income	22	17

Information on carrying amount of investment properties in the Parent Company

MSEK	Parent Company	
	2015	2014
Accumulated acquisition value		
Opening balance, 1 January	128	128
Acquisitions	7	-
Reclassifications	12	-
Divestments	-20	-
Closing balance, 31 December	127	128
Accumulated depreciation according to plan		
Opening balance, 1 January	-101	-98
Depreciation according to plan for the year	-4	-3
Reclassifications	-9	-
Divestments	5	-
Closing balance, 31 December	-109	-101
Accumulated revaluations		
Opening balance, 1 January	66	66
Reclassifications	6	-
Closing balance, 31 December	72	66
Carrying amount, 31 December	90	93

NOTE 21 SHARES IN ASSOCIATED COMPANIES AND JOINT VENTURES

ACCOUNTING PRINCIPLES

Associated companies are companies over which the Group has a significant, but not decisive, influence over operating and financial controls, usually through a shareholding of between 20 and 50 per cent of the votes. Joint ventures are companies in which the Group, through a cooperative agreement with one or more parties, shares a decisive influence over operating and financial controls. As of the date that significant influence in an associated company and shared decisive influence in a joint venture arises, the shares in the associated company or joint venture are recognised according to the equity method in the consolidated accounts. The equity method is applied as of the date when significant or shared decisive influence ceases.

The equity method means that the carrying amount of the shares in associated companies and joint ventures corresponds to the Group's share of the associated companies' and joint ventures' equity based on an application of the Group's accounting principles as well as Group goodwill and any remaining Group surplus or deficit values. "Share in income of associated companies and joint ventures" in the income statement comprises the Group's share of the net income after tax and the non-controlling interests in associated companies and joint ventures adjusted for any depreciation, impairment loss or dissolution of acquired surplus and deficit values determined in the same way as for operating acquisitions. Dividends received from associated companies and joint ventures reduce the carrying amount of the investment.

If the Group's share of the accumulated deficit in an associated company or joint venture exceeds the carrying amount of the shares in the Group, the value of the shares is reduced to 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 or joint venture. Subsequent losses are not recognised as a liability in the consolidated accounts as long as the Group has not issued any guarantees to cover losses arising in the associated company or joint venture.

When significant influence over the associated company or shared decisive influence over the joint venture ceases but the Group retains an interest in the company, the remaining shares are initially recognised at fair value. The gain or loss that arises is recognised in profit or loss.

Associated companies and joint ventures MSEK	Group	
	2015	2014
Carrying amount, 1 January	397	367
Acquisition of associated companies and joint ventures	195	34
Sale of associated companies	-6	-123
Share in associated companies' and joint ventures' income ¹⁾	40	18
New share issues	15	9
Reclassifications	-	47
Translation differences and internal gains	-14	47
Dividends	-25	-2
Carrying amount, 31 December	602	397

¹⁾ Share in associated companies' and joint ventures' net income and non-controlling interests.

The Group's associated companies and joint ventures are held for operating purposes, i.e., they are related to operations of the business areas or in the venture portfolio and are therefore recognised in operating income.

In 2015, Saab acquired UMS Skeldar AG, an associated company, and Vricon Inc. a joint venture.

Aggregate net income for Saab's associated companies amounts to MSEK 94 (27) and other comprehensive income to MSEK -22 (119), producing net comprehensive income of MSEK 72 (146). For Saab's joint ventures, net income amounts to MSEK 16 (29) and other comprehensive income to MSEK -1 (4), producing net comprehensive income of MSEK 15 (33). Saab's share of income in associated companies and joint ventures amounts to MSEK 40 (18). Shares in associated companies and joint ventures as of 31 December 2015 include goodwill of MSEK 101 (79).

The Group's share of sales, income, assets, liabilities and the carrying amount of shares in associated companies and joint ventures is as follows.

Note 21, cont.

2015, MSEK	Country	Sales	Income	Assets	Liabilities	Equity	Ownership interest, % ¹⁾	Share in income of associated companies and joint ventures	Carrying amount, shares in associated companies and joint ventures
Associated companies									
AVIA SATCOM Co., Ltd	Thailand	201	-	401	55	346	36.6	-	127
FFV Services Private Limited	India	49	18	93	21	72	49.0	9	35
Saab Grintek Technologies Ltd	South Africa	370	-	146	87	59	70.0	-	41
S.N. Technologies SA	Switzerland	41	4	37	9	28	50.0	2	14
Taurus Systems GmbH	Germany	541	58	1,733	1,664	69	33.0	19	23
UMS Skeldar AG	Switzerland	-	-	377	9	368	47.0	-	173
Wah Nobel (Pvt) Ltd	Pakistan	109	28	219	47	172	27.2	8	47
Other associated companies, mainly in the ventures portfolio		374	-13	583	327	256		-5	79
Total associated companies		1,685	95	3,589	2,219	1,370		33	539
Joint ventures									
Fortis Marine Solutions Pte Ltd	Singapore	268	40	122	74	48	49.0	19	24
Gripen International KB	Sweden	-	-	469	411	58	50.0	-	29
Järfälla-Veddesta Holding AB	Sweden	-	-	729	729	-	35.0	-	-
Vricon Inc.	USA	4	-23	125	105	20	50.0	-12	10
Total joint ventures		272	17	1,445	1,319	126		7	63
Total		1,957	121	5,034	3,538	1,496		40	602

2014, MSEK	Country	Sales	Income	Assets	Liabilities	Equity	Ownership interest, % ¹⁾	Share in income of associated companies and joint ventures	Carrying amount, shares in associated companies and joint ventures
Associated companies									
AVIA SATCOM Co., Ltd	Thailand	276	-	464	109	355	36.6	-	130
FFV Services Private Limited	India	39	14	61	6	55	49.0	7	27
Saab Grintek Technologies Ltd	South Africa	199	-	151	79	72	70.0	-	51
S.N. Technologies SA	Switzerland	46	4	36	12	24	50.0	2	12
Taurus Systems GmbH	Germany	152	-6	1,027	1,018	9	33.0	-2	3
Wah Nobel (Pvt) Ltd	Pakistan	121	55	191	40	151	27.2	15	41
Other associated companies, mainly in the ventures portfolio		284	-38	554	310	244		-18	76
Total associated companies		1,117	29	2,484	1,574	910		4	340
Joint ventures									
Fortis Marine Solutions Pte Ltd	Singapore	239	29	108	51	57	49.0	14	28
Gripen International KB	Sweden	-	-	432	374	58	50.0	-	29
Total joint ventures		239	29	540	425	115		14	57
Total		1,356	58	3,024	1,999	1,025		18	397

¹⁾ The ownership interest of each holding represents both ownership and voting rights.

NOTE 22 PARENT COMPANY'S SHARES IN ASSOCIATED COMPANIES AND JOINT VENTURES

MSEK	Parent Company	
	2015	2014
Accumulated acquisition value		
Opening balance, 1 January	135	137
Acquisitions	64	24
Divestments	-	-26
Closing balance, 31 December	199	135
Carrying amount, 31 December	199	135

Specification of Parent Company's (co-owner's) directly owned holdings of shares in associated companies and joint ventures

2015 MSEK	% of votes and capital	Carrying amount
Associated companies		
Kedtech Holding AB, 556945-3748, Stockholm	23.0	23
Industrikompetens i Östergötland AB, 556060-5478, Linköping	33.0	2
AVIA SATCOM Co Ltd, Thailand	36.6	78
Aerostructures Assemblies India Pvt Ltd	50.0/26.0	3
UMS Skeldar AG, CHE-113.226.140, Switzerland	47.0	56
Combient AB, 556985-1560, Järfälla	27.5	8
Joint ventures		
Gripen International KB, 969679-8231, Linköping	50.0	29
Industrigruppen JAS AB, 556147-5921, Stockholm	80.0	-
Järfälla-Veddesta Holdings AB, 559025-4024, Linköping	35.0	-
Total		199

2014 MSEK	% of votes and capital	Carrying amount
Associated companies		
Kedtech Holding AB, 556945-3748, Stockholm	23.0	23
Industrikompetens i Östergötland AB, 556060-5478, Linköping	33.0	2
AVIA SATCOM Co Ltd, Thailand	36.6	78
Aerostructures Assemblies India Pvt Ltd	50.0/26.0	3
Joint ventures		
Gripen International KB, 969679-8231, Linköping	50.0	29
Industrigruppen JAS AB, 556147-5921, Stockholm	80.0	-
Total		135

NOTE 23 RECEIVABLES FROM GROUP COMPANIES

Parent Company MSEK	Long-term receivables from Group companies	
	2015	2014
Accumulated acquisition value		
Opening balance, 1 January	865	747
Settled receivables	-1,004	-
Additional receivables	73	-
Translation differences	85	118
Closing balance, 31 December	19	865

NOTE 24 FINANCIAL INVESTMENTS

MSEK	Group	
	2015-12-31	2014-12-31
Financial investments held as fixed assets		
Financial assets available-for-sale measured at fair value:		
Shares and participations	-	121
Financial assets measured at fair value through profit or loss:		
Shares and participations	49	29
Investments held to maturity:		
Interest-bearing securities	141	142
Total	190	292
Short-term investments held as current assets		
Financial assets measured at fair value through profit or loss:		
Interest-bearing securities	2,995	1,270
Total	2,995	1,270

Investments in interest-bearing securities consist of mortgage, bank and municipal bonds as well as commercial paper. The fair value of interest-bearing securities held to maturity amounts to MSEK 142 (144).

NOTE 25 OTHER LONG-TERM SECURITIES HOLDINGS

MSEK	Parent Company	
	2015	2014
Accumulated acquisition value		
Opening balance, 1 January	287	286
Acquisitions	22	1
Divestments	-247	-
Closing balance, 31 December	62	287
Accumulated write-downs		
Opening balance, 1 January	-150	-150
Divestments	133	-
Closing balance, 31 December	-17	-150
Carrying amount, 31 December	45	137

Acquisitions in 2015 relate to Akaer Engenharia S.A. and investments in Biogeneration Ventures B.V. Divestments in 2015 relate to Pipavav Defence and Offshore Engineering Co Ltd.

Acquisitions in 2014 relate to Biogeneration Ventures B.V.

NOTE 26 LONG-TERM RECEIVABLES AND OTHER RECEIVABLES

MSEK	Group	
	31-12-2015	31-12-2014
Long-term receivables held as fixed assets		
Receivables from associated companies, interest-bearing	68	59
Receivables from associated companies, non interest-bearing	-	2
Receivables from joint ventures, interest-bearing	288	-
Receivables attributable to pension, interest-bearing	49	59
Other interest-bearing receivables	11	24
Other non interest-bearing receivables	28	8
Total	444	152

MSEK	Group	
	31-12-2015	31-12-2014
Other receivables held as current assets		
Receivables from associated companies, interest-bearing	20	3
Receivables from associated companies, non interest-bearing	39	71
Receivables from joint ventures, interest-bearing	10	-
Receivables from joint ventures, non interest-bearing	40	9
Advance payments to suppliers	26	22
Other interest-bearing receivables	18	2
Other non interest-bearing receivables	400	643
Subtotal	553	750
Receivables from customers		
Assignment revenue	10,495	6,433
Less utilised advance payments	-2,946	-2,928
Subtotal	7,549	3,505
Total	8,102	4,255

Assignment revenue refers to assignment costs incurred and reported gross income less any losses attributable to the work performed. Unutilised advance payments amounted to MSEK 1,098 (856).

Costs attributable to assignment revenue amounted to MSEK 8,759 (5,438). Reported gross income amounted to MSEK 1,736 (996).

MSEK	Parent Company	
	31-12-2015	31-12-2014
Other long-term receivables		
Interest-bearing receivables	11	20
Non interest-bearing receivables	4	5
Total	15	25

MSEK	Parent Company	
	31-12-2015	31-12-2014
Other receivables held as current assets		
Non interest-bearing receivables	396	428
Subtotal	396	428
Receivables from customers		
Assignment revenue	9,047	5,204
Less utilised advance payments	-2,847	-2,848
Subtotal	6,200	2,356
Total	6,596	2,784

Assignment revenue refers to assignment costs incurred and reported gross income less any losses attributable to the work performed. Unutilised advance payments amounted to MSEK 400 (439).

Costs attributable to assignment revenue amounted to MSEK 7,561 (4,420). Reported gross income amounted to MSEK 1,486 (784).

MSEK	Parent Company	
	2015	2014
Long-term receivables		
Accumulated acquisition value		
Opening balance, 1 January	25	22
Additional receivables	13	3
Settled receivables	-23	-
Closing balance, 31 December	15	25

NOTE 27 INVENTORIES

ACCOUNTING PRINCIPLES

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

Cost is calculated by applying the first-in first-out method (FIFO) or the weighted average method and includes expenses to acquire inventory assets and bring them to their present location and condition. For finished and semifinished goods, cost consists of direct manufacturing expenses and a reasonable share of indirect manufacturing expenses as well as expenses to customise products for individual customers. Calculations take into account normal capacity utilisation.

MSEK	Group	
	31-12-2015	31-12-2014
Raw materials and consumables	2,005	2,004
Work in progress	2,136	2,916
Finished goods and goods for resale	1,102	899
Total	5,243	5,819

Saab and the Swedish Ministry of Enterprise, Energy and Communications have reached an agreement with the National Debt Office to co-finance Saab's participation in the Airbus A380 project. The co-financing is in the form of a royalty loan maximised at MSEK 350. Repayment will take the form of a royalty on each delivery to Airbus. Through 2015, the National Debt Office has paid out MSEK 263 (263). The debt as of 31 December 2015 amounted to MSEK 148 (162), which reduced inventory in the financial statements.

The Group's cost of goods sold includes inventory write-downs of MSEK 101 (78). The reversal of previous write-downs amounted to MSEK 52 (85). The value of inventories measured at fair value less selling expenses amounted to MSEK 35 (161). Of inventories, MSEK 101 is expected to be realised more than twelve months after the closing day.

MSEK	Parent Company	
	31-12-2015	31-12-2014
Raw materials and consumables	1,350	1,524
Work in progress	1,497	2,214
Finished goods and goods for resale	776	715
Advance payments to suppliers	45	37
Total	3,668	4,490

Cost of goods sold for the Parent Company includes inventory write-downs of MSEK 99 (71) after the reversal of previous write-downs of MSEK 49 (84). The value of inventories measured at fair value less selling expenses amounted to MSEK 35 (161). Of the Parent Company's inventories, MSEK 0 is expected to be realised more than twelve months after the closing day.

NOTE 28 ACCOUNTS RECEIVABLE**ACCOUNTING PRINCIPLES**

Accounts receivable are recognised initially at fair value and subsequently at amortised cost at the amount expected to be received based on an individual valuation. Accounts receivable have a short maturity, due to which they are normally recognised at their nominal amount without discounting. Write-downs on accounts receivable are recognised in operating expenses. Saab has trade receivable sales programme with an independent party. When a receivable is sold, the entire credit risk is transferred to the counterparty, because of which the proceeds received are recognised as liquid assets.

The Group's outstanding accounts receivable amounted to MSEK 2,913 (3,414) as of 31 December 2015. The programme for the sale of trade receivables reduced accounts receivable at year-end by 1,299 (1,071), which also had a positive impact on cash flow of MSEK 228 (516). Defence-related sales accounted for 82 per cent (79) of total sales, where the counterparties in most accounts receivable are nations with high creditworthiness. The Group's receivables are mainly within the EU, which accounted for 49 per cent (58) of the total. Where counterparties' creditworthiness is deemed unsatisfactory, bank or insurance guarantees or guarantees from EKN are secured.

Write-downs of accounts receivable amounted to MSEK 12 (15) as of 31 December 2015, corresponding to 0.4 per cent (0.4) of total accounts receivable.

Accounts receivable in the Parent Company amounted to MSEK 1,252 (1,826). During the year, receivables were written down by MSEK 1 (2). Reversals of previous write-downs amounted to MSEK 1 (7).

Write-downs of accounts receivable

MSEK	Group	
	2015	2014
Write-downs, 1 January	-15	-19
Write-downs from acquisitions	-	-6
Write-downs for calculated losses	-36	-6
Reversal of previous write-downs	21	13
Actual credit losses	17	3
Translation differences	1	-
Write-downs, 31 December	-12	-15

Age analysis of the Group's overdue receivables

MSEK	Group	
	31-12-2015	31-12-2014
<30 days	283	460
30 to 90 days	153	215
91 to 180 days	74	81
>181 days	340	356
Accounts receivable overdue	850	1,112
Accounts receivable not overdue	2,063	2,302
Total accounts receivable	2,913	3,414

NOTE 29 PREPAID EXPENSES AND ACCRUED INCOME

MSEK	Group		Parent Company	
	31-12-2015	31-12-2014	31-12-2015	31-12-2014
Prepaid expenses	411	608	353	389
Capitalised changes in value related to forward contract rollovers	-	-	400	110
Accrued service income	227	170	-	2
Other accrued income	324	335	47	293
Total	962	1,113	800	794

Prepaid expenses primarily relate to pension premiums, rents, licenses and insurance.

NOTE 30 LIQUID ASSETS**ACCOUNTING PRINCIPLES**

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

MSEK	Group	
	31-12-2015	31-12-2014
Cash and bank balances	850	1,284
Total according to statement of financial position	850	1,284
Total according to statement of cash flows	850	1,284

The Group's unutilised account overdraft facility amounted to MSEK 97 (94) at year-end. With regard to the Group's other loan facilities, refer to notes 33 and 38.

NOTE 31 SHAREHOLDERS' EQUITY

The shares in the Parent Company are divided into two series, A and B. Both classes of shares carry equal rights, with the exception that each Series A share is entitled to ten votes and each Series B share one vote. The shares have a quota value of SEK 16.

Outstanding shares at 31 December 2015	Number of shares	Number of shares, %	Number of votes, %
Series A shares	1,907,123	1.8	15.5
Series B shares	104,049,942	98.2	84.5
Total	105,957,065	100.0	100.0

Outstanding shares at 31 December 2014	Number of shares	Number of shares, %	Number of votes, %
Series A shares	1,907,123	1.8	15.5
Series B shares	103,592,857	98.2	84.5
Total	105,499,980	100.0	100.0

Change in number of outstanding shares 2015	Series A	Series B	Total
Number of outstanding shares at 1 January	1,907,123	103,592,857	105,499,980
Early share matching		34,392	34,392
Ordinary share matching		422,693	422,693
Number of outstanding shares at 31 December	1,907,123	104,049,942	105,957,065

Note 31, cont.

In 2015, no Series B shares were repurchased on the market to secure Saab's Share Matching Plans and Performance Share Plans. During the year, 457,085 shares were matched in Saab's Share Matching Plan. Transferred shares correspond to 0.4 per cent of the share capital. A total of 3,193,279 shares are held in treasury. Shares held in treasury have no voting rights.

The dividend to shareholders amounted to MSEK 501 (479), or SEK 4.75 (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. Saab's equity/asset goal is at least 30 per cent.

Net result of cash flow hedges

The net result of cash flow hedges comprises the effective share of the cumulative net change in fair value of a cash flow hedging instrument attributable to hedge transactions that have not yet taken place.

Translation reserve

The translation reserve comprises exchange rate differences that arise from the translation of financial reports from operations that have prepared their reports in a currency other than the currency of the Group's financial reports. The Parent Company and the Group present their financial reports in SEK. The translation reserve at year-end amounts to MSEK 153 (161). Of the translation reserve MSEK 0 (18) has been reclassified to gains.

Revaluation reserve

The revaluation reserve comprises the difference between the fair value and carrying amount of operating properties reclassified as investment properties. Of the revaluation reserve, MSEK 0 (0) has been transferred to retained earnings upon the sale of investment properties.

Reserve for available-for-sale financial assets

The reserve comprises changes in the value of available-for-sale financial assets recognised directly against other comprehensive income. For more information, see note 38. These revaluations amounted to MSEK 0 (27) in 2015. When the assets are sold, the cumulative changes in value are reversed to profit or loss. During 2015 a reversal of MSEK 27 (0) was conducted.

PARENT COMPANY

Restricted reserves

Restricted reserves may not be reduced through profit distributions.

Revaluation reserve

When a tangible or financial fixed asset is revaluated, the revaluation amount is allocated to a revaluation reserve.

Statutory reserve

Provisions to the statutory reserve have previously amounted to at least 10 per cent of net income for the year, until the statutory reserve corresponded to at least 20 per cent of the Parent Company's capital stock. As of 2006 provisions are voluntary and the Parent Company makes no provisions to the statutory reserve.

Unrestricted equity

Retained earnings

Retained earnings consist of previous year's unrestricted equity after profit distribution and Group contributions paid. Retained earnings together with net income for the year comprise unrestricted equity, i.e., the amount available for distribution to the shareholders.

NOTE 32 INTEREST-BEARING LIABILITIES

MSEK	Group	
	31-12-2015	31-12-2014
Long-term liabilities		
Liabilities to credit institutions	4,360	2,001
Other interest-bearing liabilities	512	104
Total	4,872	2,105
Current liabilities		
Liabilities to credit institutions	402	-
Liabilities to associated companies and joint ventures	251	244
Other interest-bearing liabilities	200	20
Total	853	264
Total interest-bearing liabilities	5,725	2,369

Terms and repayment schedules

Collateral for bank loans amounts to MSEK 0 (0). Of the long-term liabilities, MSEK 3,798 (2,036) falls due between one and five years of the closing day and MSEK 1,073 (69) 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 38.

The fair value of MTNs exceeds book value by MSEK 24 (37). Saab otherwise considers that there is no significant difference between book and fair value.

NOTE 33 LIABILITIES TO CREDIT INSTITUTIONS

MSEK	Parent company	
	31-12-2015	31-12-2014
Current liabilities		
Overdraft facilities: Available credit/limit	100	94
Short-term portion of bank loans: Unutilised portion	-97	-94
Utilised credit amount	3	-
Short-term borrowing from credit institutions	399	-
Total	402	-
Long-term liabilities		
Overdraft facilities: Available credit/limit	6,000	4,000
Long-term portion of bank loans: Unutilised portion	-6,000	-4,000
Utilised credit amount	-	-
Long-term borrowing from credit institutions	4,360	2,000
Total	4,360	2,000
Total liabilities to credit institutions	4,762	2,000

In 2009, Saab established a Medium Term Note (MTN) programme with a limit of MSEK 3,000 or an equivalent value in EUR. The limit was extended during 2015 to MSEK 6,000. The MTN programme provides access to financing for up to 15 years, which is an element in diversifying loan maturities.

During 2015, a MTN loans of MSEK 2,150 was issued.

NOTE 34 POST-EMPLOYMENT BENEFITS

The Saab Group's post-employment benefits refers to pensions. These pensions comprise both defined-contribution and defined-benefit plans. A defined-contribution plan is a pension plan according to which the Group pays fixed fees to a separate legal entity that assumes the obligations to employees. Other pension plans are defined-benefit and refer to pension obligations that are retained by the Group, secured through its own pension funds or through insurance.

ACCOUNTING PRINCIPLES GROUP**Defined-contribution plans**

Obligations for fees to defined-contribution plans are expensed through the income statement.

Defined-benefit plans

Saab has around ten different types of defined-benefit plans. Defined-benefit plans mainly relate to the Swedish operations, where the ITP2 plan accounts for 91 per cent (91) of the total obligation.

The Group's net obligation for defined-benefit plans is calculated separately for each plan by estimating the future compensation that employees have earned through employment in present and previous periods. This compensation is discounted to present value. Most of the liability is met through provisions to a pension fund. The net obligation on the closing day is estimated as the net of the fair value of the fund assets and the present value of the pension liability.

The discount rate to estimate the obligation at present value is based on the interest rate on the closing day for a first-class mortgage bond with a maturity corresponding to the pension obligation. The calculation is made by qualified actuaries using the Projected Unit Credit Method.

When the compensation terms in a plan are improved, the portion of the increased compensation attributable to the employees' service in previous periods is expensed through the income statement.

If the obligation calculated on the closing day deviates from the estimated obligation, actuarial gains or losses arise and are recognised directly in other comprehensive income. The same interest rate is used to calculate financial income on assets under management as to discount pension liabilities.

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

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

The following tables provide information on defined-benefit pension plans.

Sweden

The predominant plan in Sweden is the ITP plan under collective agreements between the Confederation of Swedish Enterprise and the Negotiation Cartel for Salaried Employees in the Private Business Sector (PTK). The ITP2 plan, which is based on an employee's final salary, covers individuals born 1978 and before and is a defined-benefit plan, while the ITP1 plan is a defined-contribution plan and covers individuals born 1979 and after.

Saab's defined-benefit pension plans in Sweden are secured either through transfers to the Group's own pension fund, as liabilities in the balance sheet or are funded through insurance mainly with Alecta. The Saab Pension Fund, which secures part of the ITP2 plan, had assets of MSEK 5,316 (5,091) as of 31 December 2015, compared to an obligation of MSEK 7,019 (7,428), calculated according to IAS 19, which means that the solvency margin amounted to 76 per cent (69).

The following applies to the portion of the defined-benefit pension obligation for retirement and family pensions secured through insurance with Alecta. According to a pronouncement by the Swedish Financial Reporting Board, this is a defined-benefit plan for multiple employers. Alecta is unable to provide the information that would allow Saab to report these obligations as a defined-benefit plan, owing to which they are reported as a defined-contribution plan. All newly earned pensions are secured through the pension fund solution. As a result, no additional premiums are paid to Alecta.

The collective funding ratio is calculated as the market value of Alecta's assets as a percentage of the insurance obligations calculated according to Alecta's actuarial methods and assumptions, which differ from IAS 19. The collective funding ratio is normally permitted to range between 125 and 155 per cent. At year-end 2015, Alecta's surplus in the form of the collective funding ratio was 153 per cent (143).

USA

The US has a defined-benefit plan for certain employees and a supplementary plan for individuals in executive positions. The plans are company-specific according to an agreement in 1986 between the employees and the company and include retirement and survivor's pensions. The pension is not vested during the first five years of employment, and the retirement age is 65. Payments corresponding to accrued pensions are made yearly to an external trustee to cover the obligation.

Switzerland

Switzerland has a defined-benefit plan that includes all employees and where minimum benefits are prescribed by law. The company is affiliated with a collective foundation for the purpose of insuring its employees' retirement and survivor's pension, and payments are made annually. Provisions for pensions are made by both employer and employees. The employee may elect to receive the full pension as a lump sum at retirement.

Other countries

The pension plans in other countries are of insignificant amounts and are therefore reported together with Sweden below.

Disclosures regarding defined-benefit plans

MSEK	Group			
	Sweden	USA	Switzerland	Total
31-12-2015				
Wholly or partially funded obligations				
Present value of defined-benefit obligations	7,297	288	157	7,742
Fair value of assets under management	-5,368	-337	-144	-5,849
Present value of net obligation	1,929	-49	13	1,893
Share funded	74%	117%	92%	76%
Average duration of pension obligation	18	12	16	
The net amount and the special employer's contribution is reported in the following items in the statement of financial position				
Provisions for pensions	1,929	-	13	1,942
Provisions for pensions related to special employer's contribution	431	-	-	431
Long-term receivables	-	49	-	49

MSEK	Group			
	Sweden	USA	Switzerland	Total
31-12-2014				
Wholly or partially funded obligations				
Present value of defined-benefit obligations	7,730	291	132	8,153
Fair value of assets under management	-5,154	-350	-121	-5,625
Present value of net obligation	2,576	-59	11	2,528
Share funded	67%	120%	92%	69%
Average duration of pension obligation	19	11	17	
The net amount and the special employer's contribution is reported in the following items in the statement of financial position				
Provisions for pensions	2,576	-	11	2,587
Provisions for pensions related to special employer's contribution	562	-	-	562
Long-term receivables	-	59	-	59

Note 34, cont.

Cost reported in the income statement

2015 MSEK	Group			
	Sweden	USA	Switzerland	Total
Current service costs	230	16	10	256
Past service costs	-	-	-3	-3
Net interest expense	66	-3	-	63
Cost of defined-benefit plans in the income statement	296	13	7	316
Cost of defined-contribution plans				653
Special employer's contribution				250
Total cost of post-employment benefits				1,219

2014 MSEK	Group			
	Sweden	USA	Switzerland	Total
Current service costs	173	13	6	192
Net interest expense	60	-3	-	57
Cost of defined-benefit plans in the income statement	233	10	6	249
Cost of defined-contribution plans				565
Special employer's contribution				197
Total cost of post-employment benefits				1,011

Items included in the statement of cash flow

2015 MSEK	Group			
	Sweden	USA	Switzerland	Total
Deposits to pension fund and other funding	-6	-14	-8	-28
Payments	-248	-40	-3	-291
Withdrawals	-	40	3	43
Total impact on cash flow	-254	-14	-8	-276

2014 MSEK	Group			
	Sweden	USA	Switzerland	Total
Deposits to pension fund and other funding	-199	-21	-7	-227
Payments	-236	-13	-	-249
Withdrawals	194	13	-	207
Total impact on cash flow	-241	-21	-7	-269

Estimated payments during 2016 amount to approximately MSEK 270.

Actuarial gains and losses are reported in other comprehensive income.

Actuarial gains related to pensions amounted to MSEK 672 in 2015 primarily due to the following. The return on assets under management was higher than expected due to experience adjustments, which produced an actuarial gain of MSEK 79. The actuarial gain on pension obligations amounted to MSEK 593 due to 75 basis points higher discount rate, experience adjustments, and 25 basis points higher inflation assumptions. Changes in demographic assumptions have not had a significant effect.

The actuarial gain related to special employer's contribution amounted to MSEK 167 in 2015. The actuarial gain related to other long-term service awards amounted to MSEK 1.

Changes in net obligation for defined-benefit plans reported in the statement of financial position

MSEK	Group	
	2015	2014
Net obligation for defined-benefit plans, 1 January	2,528	1,389
Compensation paid	-291	-249
Deposits to pension fund and other funding	-28	-227
Cost reported in the income statement	316	249
Income (-) /cost (+) reported in comprehensive income	-672	983
Settlement/translation differences	-3	-6
Withdrawals from pension funds	43	207
Transferred operations	-	182
Net obligation for defined-benefit plans, 31 December	1,893	2,528

Change in pension obligation

MSEK	Group	
	2015	2014
Fair value, 1 January	8,153	6,413
Benefits vested during the year	256	192
Benefits vested previous years	-3	-
Interest expense	207	257
Pension disbursements	-291	-249
Settlement	-16	-9
Transferred operations	-	182
Actuarial gain (-)/loss (+)	-593	1,307
Translation differences	29	60
Fair value, 31 December	7,742	8,153

Change in assets under management

MSEK	Group	
	2015	2014
Fair value, 1 January	5,625	5,024
Financial income	146	202
Withdrawals	-43	-207
Settlement	-18	-11
Contributions	28	227
Actuarial gain	79	324
Translation differences	32	66
Fair value, 31 December	5,849	5,625

The cost is reported on the following lines in the income statement

MSEK	Group	
	2015	2014
Cost of goods sold	896	755
Marketing expenses	104	82
Administrative expenses	63	66
Research and development costs	92	51
Financial expenses	64	57
Total cost of post-employment compensation	1,219	1,011

Interest expense on the pension obligation less financial income on assets under management is classified as financial expense. Other pension costs are divided by function in the income statement in relation to how payroll expenses are charged to the various functions.

Note 34, cont.

Sensitivity analysis (excluding special employer's contribution)

MSEK	Group	
	Change	Change in obligation
Discount rate	0.25%	-322
	-0.25%	345
Inflation	0.25%	347
	-0.25%	-326
Salaries	0.25%	77
	-0.25%	-75
Life span	+1 år	281

Return on assets under management

MSEK	Group	
	2015	2014
Actual return on assets under management	225	526
Financial income on assets under management	-146	-202
Actuarial result from assets under management during the year	79	324

Governance

The pension fund is governed by the Pension Board, which resumes 4-5 times per year and has the following responsibilities:

- Appoint the members of the Investment Committee
- Appoint the Fund Manger
- Annually establish the Investment Policy
- Decide on strategic (long-term) and tactical (short-term) asset allocation and allow deviations in accordance with the terms of the SAA and TAA mandate
- Annually approve the benchmark indices to track the fund's performance
- Annually approve the stop loss limit

Investment strategy and risk management

The pension fund manages the allocation and investment of assets with an aim to increase the consolidation level over time. Certain risks are accepted in order to achieve the desired return. The investment horizon is long-term and the allocation ensures that the investment portfolio is well diversified.

The Fund's investments are subject to a number of restrictions and limitations, the purpose of which is to limit investment losses. Group Treasury continuously monitors the Fund's management and reports its findings to the Chairman of the Board and the Investment Committee.

Assets under management divided by asset class

Per cent	Group			
	2015	of which listed on an active market	2014	of which listed on an active market
Interest-bearing assets	40	100	48	100
Share-related assets	37	100	35	100
Hedge funds	13	-	14	-
Property	9	-	1	-
Liquid assets	1	-	2	-
Total assets	100	77	100	83

Assumptions for defined-benefit obligations

Per cent	Group				
	2015	2014	2013	2012	2011
Significant actuarial assumptions as of closing day (expressed as weighted averages)¹⁾					
Discount rate, 31 December	3.25	2.50	4.00	3.00	3.50
Future salary increase	2.75	2.50	3.00	3.00	3.00
Future increase in pensions	1.75	1.50	2.00	2.00	2.00
Employee turnover	3.00	3.00	3.00	3.00	3.00

¹⁾ Refers to Sweden since essentially all defined-benefit plans are in Sweden

The following assumptions serve as the basis of the valuation of Saab's pension liability:

Discount rate: The valuation is based on covered Swedish mortgage bonds (AAA). The same discount rate has been used for all future payments. The rate is based on the duration of all cash flows.

Long-term salary increase assumption: The long-term salary increase assumption corresponds to a real salary increase of 1 per cent plus an inflation assumption of 1.75 per cent, rendering a future salary increase of 2.75 per cent.

Long-term inflation assumption: The long-term inflation assumption is based on market pricing of inflation on maturities corresponding to the pension liability's duration. For 2015, the assumption is 1.75 per cent.

Mortality: Mortality is according to DUS14, the latest large mortality study in Sweden.

Employee turnover: The employee turnover is assumed to be 3 per cent per year.

ACCOUNTING PRINCIPLES PARENT COMPANY

The parent company's accounting principles differ from IAS 19 in the following ways:

- The calculation does not take into account future salary increases
- The discount rate is determined by PRI
- Changes in the discount rate and other actuarial assumptions are recognised directly in the income statement and balance sheet
- Surplus in the pension plan cannot be recognised as an asset while the deficit should either be expensed or recovered through contributions to the pension fund

Parent Company's pension obligations

Funds allocated for pensions according to the balance sheet correspond to the net present value of existing pension obligations less funds that are secured by Saab's pension fund.

MSEK	31-12-2015	31-12-2014
Pension obligations ITP 2	4,076	3,982
Less funds secured in pension fund	-4,076	-3,982
Total ITP 2 and the book reserve method	-	-
Other pensions	74	65
Other provisions for pensions	63	75
Total	137	140
Of which credit guarantees in PRI Pensionsgaranti	52	63

MSEK	2015	2014
Amount related to pension obligations ITP 2 expected to be settled within 12 months	172	165

NOTE 35 PROVISIONS
ACCOUNTING PRINCIPLES

A provision is recognised in the statement of financial position when the Group has a legal or informal obligation owing to an event that has occurred and it is likely that an outflow of economic resources will be required to settle the obligation and a reliable estimate of the amount can be made. Where it is important when in time payment will be made, provisions are estimated by discounting projected cash flow at a pre-tax interest rate that reflects current market estimates of the time value of money and, where appropriate, the risks associated with the liability.

Restructuring

A provision for restructuring is recognised when a detailed, formal restructuring plan has been established and the restructuring has either begun or been publicly announced. No provision is made for future operating losses.

A provision is recognised in connection with termination of personnel only if the company is obligated to terminate an employment before the customary time, e.g., when compensation is paid in connection with a voluntary termination offer. In cases where the company terminates personnel, a detailed plan is drafted containing at the minimum the workplaces, positions and approximate number of individuals affected as well as compensation for each personnel category or position and a schedule for the plan's implementation.

Note 35, cont.

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.

MSEK	Group	
	31-12-2015	31-12-2014
Provisions that are long-term liabilities		
Obligations related to regional aircraft	-	207
Expenditures for restructuring measures	61	58
Onerous contracts	192	223
Other	844	746
Total	1,097	1,234

Provisions that are current liabilities		
Obligations related to regional aircraft	-	59
Expenditures for restructuring measures	106	53
Onerous contracts	90	103
Other	252	297
Total	448	512

MSEK	Parent Company	
	31-12-2015	31-12-2014
Obligations related to regional aircraft	-	217
Expenditures for restructuring measures	119	48
Onerous contracts	91	112
Other	408	261
Total	618	638

Obligations related to regional aircraft

MSEK	Group	Parent Company
Opening balance, 1 January 2015	266	217
Amount utilised during the year	-266	-217
Closing balance, 31 December 2015	-	-

Expenditures for restructuring measures

MSEK	Group	Parent Company
Opening balance, 1 January 2015	111	48
Provisions allocated during the year	161	112
Amount utilised during the year	-92	-38
Reversal of unutilised amount	-4	-3
Reclassification	-10	-
Translation differences and other	1	-
Closing balance, 31 December 2015	167	119

Onerous contracts

MSEK	Group	Parent Company
Opening balance, 1 January 2015	326	112
Provisions allocated during the year	95	68
Amount utilised during the year	-98	-59
Reversal of unutilised amount	-46	-34
Reclassification	4	4
Translation differences and other	1	-
Closing balance, 31 December 2015	282	91

Other provisions

MSEK	Group	Parent Company
Opening balance, 1 January 2015	1,043	261
Provisions allocated during the year	264	181
Amount utilised during the year	-199	-84
Reversal of unutilised amount	-95	-40
Reclassification	97	90
Translation differences and other	-14	-
Closing balance, 31 December 2015	1,096	408

Total provisions

MSEK	Group	Parent Company
Opening balance, 1 January 2015	1,746	638
Provisions allocated during the year	520	361
Amount utilised during the year	-655	-398
Reversal of unutilised amount	-145	-77
Reclassification	91	94
Translation differences and other	-12	-
Closing balance, 31 December 2015	1,545	618

Regional aircraft

Commitments regarding regional aircraft were terminated during 2015.

Restructuring

Structural costs primarily relate to the costs to adapt resources and changeover costs. The expenditure is expected to fall in 2016–2017. Provisions allocated during the year are mainly attributable to restructuring in connection to the dissolution of business area Security and Defence Solutions on 1 January 2016.

Onerous contracts

Provisions for onerous contracts on the closing day relate to command and control projects, Helicopter 14 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 36 OTHER LIABILITIES

MSEK	Group	
	31-12-2015	31-12-2014
Other long-term liabilities		
Liabilities to previous owners and minority owners	68	76
Liabilities related to employees	44	46
Other	24	19
Total	136	141
Of which liabilities due for payment more than five years after closing day	112	32
Other current liabilities		
Value-added tax	275	328
Employee withholding taxes	216	226
Liabilities to associated companies and joint ventures	3	21
Other	231	403
Total	725	978

MSEK	Parent Company	
	31-12-2015	31-12-2014
Value-added tax	66	222
Employee withholding taxes	143	141
Other	402	458
Total	611	821
Of which liabilities due for payment more than five years after closing day	14	-

Saab considers that there is no significant difference between book and fair value.

NOTE 37 ACCRUED EXPENSES AND DEFERRED INCOME

MSEK	Group		Parent Company	
	31-12-2015	31-12-2014	31-12-2015	31-12-2014
Accrued expenses				
Vacation pay liability	980	995	700	719
Accrued project costs	715	944	532	508
Social security expenses	696	613	568	473
Expected invoices	433	306	193	144
Personnel liabilities	232	263	159	165
Claims reserve	57	80	10	11
Royalties and commissions	51	60	31	39
Other	332	285	137	365
Total accrued expenses	3,496	3,546	2,330	2,424
Deferred income				
Liabilities to customers	3,035	2,038	1,382	1,528
Capitalised changes in value related to forward contract rollovers	-	-	218	194
Other	18	25	-21	21
Total deferred income	3,053	2,063	1,579	1,743
Total	6,549	5,609	3,909	4,167

Saab considers that there is no significant difference between book and fair value.

NOTE 38 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Saab's financial assets and liabilities and contractual obligations give rise to financial risks. These risks are managed to a large extent with various financial instruments.

Group Treasury is responsible for managing the financial risks. The Board of Directors of Saab has established a Group Treasury Policy, which provides an overall description of the management of the financial risks and treasury operations. The goal is to identify and actively manage the financial risks in order to reduce any negative impact on the Group's results, competitive strength and financial flexibility.

The financial risks are defined as follows:

- Foreign currency risk
- Liquidity risk
- Refinancing risk
- Interest rate risk
- Commodity price risk
- Credit and counterparty risk
- Pension obligations

Group Treasury has a risk mandate expressed as VaR (Value at Risk) of MSEK 50 (50). The mandate is divided between management of the financial risks related to fixed price tenders, electricity trading and trading. Risks are managed through various portfolios and reported daily according to defined risk measures.

Management of the Group's funding, customer financing and guarantees is centralised in Group Treasury. Management of insurance is centralised in the Group's insurance company, Lansen Försäkrings AB.

ACCOUNTING PRINCIPLES**Recognition and valuation of financial assets and liabilities**

A financial asset or liability is recognised in the statement of financial position when the company becomes party to the instrument's contractual terms.

Accounts receivable are recognised in the statement of financial position when an invoice has been sent.

A financial asset is removed from the statement of financial position when the rights in the contract are realised, expire or the company loses control over the asset. The same applies to part of a financial asset. A financial liability is removed from the statement of financial position when the obligation in the agreement has been discharged or otherwise extinguished. The same applies to part of a financial liability.

On each reporting date, Saab evaluates whether there are objective indications that a financial asset or pool of financial assets is in need of write-down. Financial assets and liabilities are offset and recognised as a net amount in the statement of financial position when there is a legal right to a set-off and when the intent is to settle the items with a net amount or to realise the asset and settle the liability at the same time. Exceptions are made for derivatives where derivatives with positive values are recognised as assets and derivatives with negative values are recognised as liabilities.

Financial instruments are initially recognised at cost, corresponding to the instrument's fair value plus transaction expenses. The same applies to all financial instruments with the exception of those in the category financial assets 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 Garman-Kohlhagens. Amortised cost is determined based on the effective interest rate calculated on the acquisition date.

Classification of financial assets and liabilities

The Group's financial assets and liabilities are classified according to the following categories, which determine how each item is valued.

Financial assets and liabilities at fair value through profit or loss:

Assets and liabilities in this category are measured at fair value with changes in value recognised in profit or loss. This category consists of two subgroups: (i) financial assets and liabilities held for trading, and (ii) other financial assets and liabilities that the company initially chose to measure at fair value through profit or loss.

Note 38, cont.

A financial asset is classified as held for trading if it is acquired for the purpose of selling in the near term. Derivatives are always measured at fair value through profit or loss, unless hedge accounting is applied.

Held-to-maturity investments:

Financial assets in this category refer to non-derivative assets with predetermined or determinable payments and scheduled maturities that the company intends and has the ability to hold to maturity. They are measured at amortised cost.

Loans receivable and accounts receivable:

Loans receivable and accounts receivable are non-derivative financial assets with fixed payments 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 a trade receivable sales programme with an independent party. When a receivable is sold, the entire credit risk is transferred to the counterparty, because of which the 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 the assets are sold, the cumulative value changes are reversed to profit or loss. Unrealised decreases in value are recognised in other comprehensive income unless the decrease in value is material or has lasted for an extended period, in which case the value is impaired through profit or loss. If the write-down refers to equity instruments such as shares, the write-down is not reversed through profit or loss.

Other financial liabilities:

Liabilities classified as other financial liabilities are initially recognised at the amount received after deducting transaction expenses. After acquisition, the liabilities are measured at amortised cost, according to the effective rate method. Trade accounts payable are classified in the category other financial liabilities. Trade accounts payable have a short expected maturity and are measured without discounting to their nominal amount.

Hedge accounting

To meet the requirements for hedge accounting there must be an economic relationship between the hedging instrument and the hedged item and the hedging relationship must be effective until the hedge matures.

To cover the Group's risks associated with changes in exchange rates and exposure to interest rate risks, derivatives, consisting of forward exchange contracts, options and swaps, are utilised. They are recognised initially and in subsequent revaluations at fair value, that is, at each reporting date.

Changes in the fair value of derivatives that do not meet the requirements for hedge accounting are recognised directly in profit or loss. If the underlying hedged items relate to operations-related receivables or liabilities, the effect on earnings is recognised in operating income, while the corresponding effect on earnings related to financial receivables and liabilities is recognised in financial net.

The Group applies hedge accounting to cash flow hedges as follows.

Cash flow hedges

Forward exchange contracts (hedge instruments) entered into mainly to hedge future receipts and disbursements against currency risks and classified as cash flow hedges (primarily related to contracted sales volumes) are recognised in the statement of financial position at fair value. Changes in value are recognised in other comprehensive income and separately recognised in the hedge reserve in equity until the hedged cash flow meets the operating income, at which point the cumulative changes in value of the hedging instrument are transferred to profit or loss to meet the effects on earnings of the hedged transaction.

When the hedged future cash flow refers to a transaction that will be capitalised in the statement of financial position, the hedge reserve is dissolved when the hedged item is recognised in the statement of financial position. If the hedged item is a non-financial asset or liability, the reversal is included in the original cost

of the asset or liability. If the hedged item is a financial asset or liability, the hedge reserve is dissolved gradually through profit or loss at the same rate that the hedged item affects earnings.

When a hedging instrument expires, is sold, terminated or exercised, or the company otherwise revokes the designation as a hedging relationship before the hedged transaction occurs and the projected transaction is still expected to occur, the recognised cumulative gain or loss remains in the hedge reserve in equity and is recognised in the same way as above when the transaction occurs.

If the hedged transaction is no longer expected to occur, the hedging instrument's cumulative gains and losses are immediately recognised in profit or loss in accordance with principles described above for derivatives.

FINANCIAL INSTRUMENTS

Financial instruments within the Group mainly consist of liquid assets, accounts receivable, shares, loans receivable, bonds receivable, derivatives with positive market values, certain accrued income and other receivables. The liability side includes trade accounts payable, loans payable, derivatives with negative market values, certain accrued expenses and other liabilities.

The following table shows a subdivided statement of financial position categorised and classified according to IAS 39.

Classification and categorisation of financial assets and liabilities

	Carrying amount	
	2015	2014
Financial assets		
Financial investments at fair value through other comprehensive income as available for sale	-	121
Financial investments at fair value through profit or loss	49	29
Financial investments held to maturity ¹⁾	141	142
Long-term receivables	444	152
Derivatives identified as hedges	972	408
Derivatives at fair value through profit or loss for trading	86	61
Accounts receivable and other receivables	11,540	8,152
Short-term investments at fair value	2,995	1,270
Liquid assets	850	1,284
Total financial assets	17,077	11,619
Financial liabilities		
Interest-bearing liabilities ²⁾	5,725	2,369
Derivatives identified as hedges	1,561	1,280
Derivatives at fair value through profit or loss for trading	53	120
Other liabilities	5,486	5,243
Total financial liabilities	12,825	9,012

¹⁾ Fair value 2015: MSEK 142; 2014: MSEK 144.

²⁾ Fair value 2015: MSEK 5,749; 2014: MSEK 2,406.

Valuation of financial instruments at fair value are divided into the following three valuation levels:

Level 1

According to listed (unadjusted) prices on an active market on the closing date:

- Bonds and interest-bearing securities
- Electricity derivatives
- Interest rate forwards

Level 2

According to accepted valuation models based on observable market data:

- Forward exchange contracts: Future payment flows in each currency are discounted by current market rates to the valuation day and valued in SEK at period-end exchange rates.
- Options: The Garman-Kohlhagens option pricing model is used in the market valuation of all options.
- Interest rate swaps and cross currency basis swaps: Future variable interest

Note 38, cont.

rates are calculated with the help of current forward rates. These implicit interest payments are discounted to the valuation date using current market rates. The market value of interest rate swaps is obtained by contrasting the discounted variable interest payments with the discounted present value of fixed interest payments.

Level 3

According to accepted principles, e.g. for venture capital firms:

- *Unlisted shares and participations*

As of 31 December 2015, the Group had the following financial assets and liabilities at fair value:

Assets at fair value

MSEK	2015	Level 1	Level 2	Level 3
Bonds and interest-bearing securities	2,995	2,995	-	-
Forward exchange contracts	1,043	-	1,043	-
Currency options	4	-	4	-
Interest rate swaps	5	-	5	-
Cross currency basis swaps	1	-	1	-
Electricity derivatives	5	5	-	-
Shares and participations	49	-	-	49
Total	4,102	3,000	1,053	49

Liabilities at fair value

MSEK	2015	Level 1	Level 2	Level 3
Forward exchange contracts	1,505	-	1,505	-
Currency options	1	-	1	-
Interest rate swaps	83	-	83	-
Cross currency basis swaps	5	-	5	-
Electricity derivatives	20	20	-	-
Total	1,614	20	1,594	-

FINANCIAL RISK MANAGEMENT

Foreign currency risk

Foreign currency risk refers to the risk that fluctuations in exchange rates will negatively affect income or net assets.

Economic exposure

Income is affected when sales and the cost of goods and services sold are in currencies other than the functional currency. Foreign currency risk also arises when fixed-price tenders are issued in foreign currency.

The following table shows outstanding nominal net hedges by currency as of year-end.

Net hedges (million)	Forward contracts ¹⁾		Options ²⁾		Total hedge	
	2015	2014	2015	2014	2015	2014
USD	-21	-242	-40	389	-61	147
EUR	-6	-52	-20	-63	-26	-115
GBP	-4	-18	-	-3	-4	-21
DKK	7	-	-	-	7	-
TWD	-231	-	-	-	-231	-
HKD	-	-96	-	-	-	-96

¹⁾ Also contains sold call and put options.

²⁾ Refers to the net of purchased call and put options.

Outstanding fixed-price tenders in foreign currency are usually managed in a special portfolio, the tender portfolio. The tender portfolio's external hedges are measured in relation to the benchmark in order to allocate VaR. If the two correspond, the tender portfolio will by definition be risk-neutral – i.e. its VaR measure will be zero.

In 2015, about MSEK 34, expressed as VaR, was allocated to the tender portfolio, and at year-end VaR amounted to MSEK 4 (7). Hedge accounting is not applied to the portfolio's hedges, due to which the Group's result is affected by the outcome of the tenders and the exchange rate for the underlying currency pair. The portfolio's effect on the Group's result in 2015 was MSEK -118 (-5).

Translation exposure

Comprehensive income is affected when the results and net assets of foreign subsidiaries are translated to SEK. The value of net assets exposed to transaction exposure amounted to MSEK 4,041 (4,072) at year-end; see the following table.

Net assets translated to SEK

MSEK	2015-12-31	2014-12-31
USD	2,041	1,826
EUR	357	650
AUD	531	472
ZAR	175	361
Other currencies	937	763
Total	4,041	4,072

The effect on net assets of a change in exchange rates of +/- 10 per cent would be a change in value of MSEK 404.

Foreign currency risk due to translation effects on the net assets of foreign subsidiaries is not hedged.

Transaction exposure

Contracted flows in the order backlog are exposed to transaction exposure. Saab hedges the entire order backlog with currency derivatives (mainly forward exchange contracts), which means that changes in exchange rates do not affect the Group's future results with respect to the current order backlog. To reduce the transaction exposure, amounts in foreign currency are netted as well. Hedges are normally arranged for each specific contract. The average forward rate is then used as the contract's rate for revenue recognition.

In 2015, countries outside Sweden accounted for 58 per cent (55) of Saab's sales. Since a large share of production takes place in Sweden with expenses denominated in SEK, Saab has a large net exposure in foreign currencies.

The predominant contract currencies in the order backlog of SEK 113.8 billion (60.1) are SEK, USD, EUR and GBP. Of the total order backlog, 69 per cent (47) is in fixed prices with or without indexing, while the remaining 31 per cent (53) contains variable prices with index and/or currency clauses.

In the event the cash flow is far in the future, an extension strategy can be applied, the currency hedge can be shifted to an earlier date than when the cash flow is expected and hedge accounting for that time period is then applied to changes in the spot price.

Impairment of unprofitable contracts in foreign currency that are not hedged against foreign currency risk is based on the valuation of future cash flows at the spot rate. These contracts mainly refer to anticipated future orders as part of long-term commercial aircraft programmes in USD.

Framework agreements contain both transaction and economic exposure and mainly apply to the various commercial aircraft programmes.

Hedge accounting according to IAS 39 is applied to derivatives intended to hedge the transaction exposure. The market value of existing hedges of the order backlog and framework agreements amounted to MSEK -495 (-792). Currency sensitivity, i.e. the effect of a change in exchange rates of +/- 10 per cent, would affect the market value of derivatives by +/- MSEK 765. The inefficiency in the cash flow hedges that affected net income for the year amounted to MSEK 0 (0).

Note 38, cont.

The following table shows the cash flows for derivatives recognised as cash flow hedges, expressed in millions in local currency.

Million	AUD			EUR			GBP			USD		
	Outflow	Inflow	Net	Outflow	Inflow	Net	Outflow	Inflow	Net	Outflow	Inflow	Net
2016	-17	3	-14	-104	200	96	-32	51	19	-436	800	364
2017	-4	-	-4	-31	91	60	-12	24	12	-260	336	76
2018	-2	-	-2	-19	61	42	-14	14	-	-255	280	25
2019	-	-	-	-12	29	17	-20	3	-17	-183	204	21
2020	-	-	-	-119	35	-84	-48	1	-47	-220	352	132
2021 and forward	-	-	-	-	5	5	-77	2	-75	-521	583	62
Total flows 2015	-23	3	-20	-285	421	136	-203	95	-108	-1,875	2,555	680
Total flows 2014	-51	5	-46	-178	390	212	-121	60	-61	-1,087	1,454	367

Currency exposure

The Group's total outstanding currency derivatives related to all currency risks are shown in the following table.

The Group's outstanding derivatives

Million	Currency	Local currency	Fair value 2015			2014	
			Asset SEK	Liability SEK	Net	Local Currency	Net
Maturity up to 1 year	EUR	-159	71	73	-2	-298	-51
	USD	-874	194	589	-395	-161	-276
	Other	-	99	75	24	-	-54
Subtotal			364	737	-373		-381
Maturity 1 to 3 years	EUR	-128	46	42	4	-112	-43
	USD	-288	190	556	-366	-421	-374
	Other	-	41	36	5	-	-4
Subtotal			277	634	-357		-421
Maturity 3 to 5 years	EUR	65	23	52	-29	-8	-4
	USD	-30	275	34	241	74	-52
	Other	-	44	4	40	-	11
Subtotal			342	90	252		-45
Maturity over 5 years	EUR	-5	-	1	-1	41	-2
	USD	122	65	4	61	96	29
	Other	-	-	40	-40	-	17
Subtotal			65	45	20		44
Currency derivatives, total¹⁾²⁾			1,048	1,506	-458		-803

¹⁾ Retained premiums on open currency contracts amount to MSEK -1 (36)

²⁾ Of which derivatives used as cash flow hedge MSEK -506 (-814).

The Parent Company's outstanding derivatives

Million	Currency	Local currency	Fair value 2015			2014	
			Asset SEK	Liability SEK	Net	Local Currency	Net
	EUR	-51	142	164	-22	-236	-72
	USD	-888	764	1,004	-240	-286	-613
	Other	-	188	158	30	-	-22
Currency derivatives, Parent Company total			1,094	1,326	-232		-707

Note 38, cont.

Liquidity risk

Liquidity risk refers to the risk of not being able to meet payment obligations due to insufficient liquidity. The company consistently maintains unutilised credit facilities or liquid assets corresponding in value to MSEK 3,000, adjusted for loans with maturity dates within 12 months and never less than the lower of:

- 10% of sales (total sales)
- 50% of outstanding on-demand guarantees for the three largest commitments.

Liquidity risk is minimised by diversifying financing sources and maturities. For term analysis of the Group's financial liabilities, see tables for each class of derivatives in this note as well as information on interest-bearing liabilities in note 32. The Group's other financial liabilities include accounts payable with credit terms normally within 30-90 days as well as other operating liabilities which are classified as current.

Saab has access to the following credit facilities:

Loan facilities MSEK	Facility	Utilised	Available
Revolving credit facility (maturity 2021)	6,000	-	6,000
Overdraft facility (maturity 2016)	100	3	97
Total confirmed credit facilities	6,100	3	6,097
Commercial paper	5,000	400	4,600
Medium Term Notes (MTN)	6,000	4,150	1,850
Total loan programmes	11,000	4,550	6,450
Total loan facilities	17,100	4,553	12,547

Saab has two revolving credit facilities with an equivalent value of MSEK 6,000 divided between eight banks. In January 2015, the initial facility of MSEK 4,000 was renegotiated and in March 2015 a new facility of MSEK 2,000 was raised. Both facilities have a term of five years to 2021 with the option to extend the term by one plus one year. Saab also has a commercial paper programme with a limit of MSEK 5,000 (5,000) and a Medium Term Note (MTN) programme with a limit of MSEK 6,000 (3,000). In September 2015, the limit on the latter was extended by MSEK 3,000, and during the year another bank joined the programme.

As of 31 December 2015, MSEK 400 in commercial paper and MSEK 4,150 in MTN had been issued.

In addition to these credit facilities, as part of efforts to diversify funding sources, Saab has borrowed MSEK 926 (MEUR 100) under a Schuldschein documentation. MEUR 23 had settlement in December 2015 and the remaining MEUR 77 have settlement during the first half of 2016. The loans were distributed on maturities of between 5.25 and 7.25 years.

In addition, Saab has an established programme for the sale of trade receivables with a framework of MSEK 1,475, of which MSEK 1,299 (1,071) was utilised at 31 December 2015.

No financial covenants are attached to any of Saab's credit facilities.

Refinancing risk

Refinancing risk refers to the risk that Saab cannot replace maturing loans with either new loans or its own funds. To minimise this risk, Saab maintains a diversified loan maturity structure; see the table under funding.

Interest rate risk

Interest rate risk refers to the risk that Saab will be negatively affected by changes in interest rate levels. Interest rate futures and swaps are used to manage interest rate risks and achieve the desired interest rate duration. Lending to subsidiaries in foreign currency is normally financed in SEK and converted to the subsidiary's currency through swaps. Interest rate risk and foreign currency risk is managed with cross currency basis swaps.

Saab is exposed to interest rate risk when the market value of certain items in the statement of financial position is affected by changes in underlying interest rates. The item with the largest exposure is pension obligations due to the liability's long duration.

Changes in market rates affect Saab's net financial items.

Funding

Fixed interest rates in the Group's funding may not exceed an average duration of 60 months. As of year-end, the duration of the funding was 42 months (49).

The interest rates on long-term floating-rate funding are primarily hedged at fixed rates through interest rate swaps. In its reporting, Saab applies cash flow hedging, which means that changes in the value of interest rate swaps are recognised in other comprehensive income and separately recognised in the hedge reserve in equity. The change in value is recognised in financial income and expenses when transferred to profit or loss. Inefficiency affecting net income for the year amounted to MSEK 0 (0).

Financing (refers to utilised credit facilities)

MSEK Maturities	Fixed interest ¹⁾	Tied-up capital
1 years	1,787	400
2 years	-	-
3 years	1,150	1,350
4 years	1,575	1,575
5 years and forward	964	2,151
Total	5,476	5,476

¹⁾ Effects of derivative agreements entered are included in the fixed interest.

Investments

Interest rate risk in the Group's financial investments is managed based on a duration of 12 months with the option to deviate by +/- 12 months. As of 31 December 2015, the duration for investments was 12 months (10).

Investments in interest-bearing securities and bank deposits

MSEK Maturities	Fixed interest ¹⁾	Tied-up capital
1 years	989	819
2 years	1,450	1,530
3 years	-400	90
4 years	200	200
5 years and forward	150	300
Total	2,389	2,939

¹⁾ Effects of derivative agreements entered are included in the fixed interest.

Forward exchange contracts

Forward exchange contracts used to hedge commercial currency flows contain an interest component. In certain cases Saab may decide to shift the hedge to an earlier date than when the cash flow is expected. This primarily refers to very long-term customer contracts, which then generate an interest rate risk. The underlying cash flows that are exposed to extensions through forward exchange contracts amounted to MUSD 331 (248) at 31 December 2015.

Interest rate derivatives

The table below shows the Group's outstanding interest rate derivatives.

Interest rate derivatives	Local cur- rency	Fair value 2015			2014	
		Asset SEK	Liability SEK	Net	Local Cur- rency	Net
Million						
Maturity up to 1 year	USD	-	-	-	1	-
Subtotal						
Maturity 1 to 3 years	SEK	750	43	-43	217	-12
Subtotal			43	-43		-12
Maturity 3 to 5 years	SEK	1,900	40	-40	1,650	-79
Subtotal			40	-40		-79
Maturity over 5 years	SEK	400	5	-5	-	-
	EUR ¹⁾	100	1	5	-4	-
Subtotal			6	5	1	-
Interest derivatives, total ²⁾³⁾⁴⁾			6	88	-82	-91

¹⁾ Refers to cross currency basis swaps (CCY).

²⁾ Market value includes accrued interest of MSEK -5 (-4).

³⁾ Of which used for cash flow hedges MSEK -73 (-78).

⁴⁾ Also corresponds to the interest rate derivatives in the Parent Company.

Commodity price risk

Commodity price risk refers to the risk that Saab will be negatively affected by changes in commodities. Purchasing costs for material are managed primarily through contract clauses with customers/suppliers. Purchasing costs for electricity are managed through hedging instruments. Electricity derivatives are managed through a discretionary management mandate. The market value of electricity derivatives as of year-end was MSEK -16 (-5). Hedge accounting is applied to electricity derivatives in the Stockholm price area (SE3). Inefficiency affecting net income for the year amounted to MSEK 0 (0).

Note 38, cont.

The Group's outstanding electricity derivatives

Electricity derivatives	Fair value 2015				2014	
	Mega-watt	Asset SEK	Liability SEK	Net	Mega-watt	Net
Million						
Maturity up to 1 year	19	4	15	-11	20	-4
Subtotal		4	15	-11		-4
Maturity 1 to 3 years	12	-	5	-5	11	-1
Subtotal		-	5	-5		-1
Electricity derivatives, total ¹⁾²⁾		4	20	-16		-5

¹⁾ Of which used for cash flow hedges MSEK -15 (-5).

²⁾ Also corresponds to the interest derivatives in the Parent Company.

Credit and counterparty risks

Credit risk is the risk that the counterparty in a transaction will not be able to fulfil the financial obligations of a contract. In the course of its day-to-day operations, Saab is exposed to credit risks as a result of transactions with counterparties in the form of customers, suppliers and financial players. The Group's aggregate credit risks consist of commercial credit risks and financial credit risks.

Commercial credit risks

Commercial credit risks consist of outstanding accounts receivable and advances paid to suppliers. This type of credit risk is identified and managed on a case-by-case basis. Credit risks that arise in customer contracts are managed by utilising available banking or insurance products. In some cases export credit institutions may be used as well. Commercial credit risks that arise through advances paid to suppliers are managed by maintaining bank-guaranteed collateral. At 31 December 2015, the Group had paid advances to suppliers of MSEK 32 (35).

Accounts receivable represent a commercial credit risk. Where counterparties' creditworthiness is deemed unsatisfactory, bank or insurance guarantees or guarantees from EKN are secured to ensure that payment will be received. Since accounts receivable are generally secured through bank or insurance guarantees or are attributable to states, the commercial credit risk is low. For more information on the Group's accounts receivable, see note 28.

Financial credit risks

Financial credit risk consists of exposures to financial institutions through deposits, securities investments and/or the market value of outstanding derivatives.

The Group's policy for managing financial credit risks is to ensure that all financial counterparties have a long-term credit rating of no lower than A- from Standard and Poor's or A3 from Moody's.

Each financial counterparty is assigned a credit limit based on its long-term credit rating.

Saab has entered into ISDA master agreements with financial counterparties to net the positive and negative market values of outstanding derivatives; see the tables below.

Market value of financial assets and liabilities subject to netting arrangements

2015	Gross amount	Set-off	Net amount in balance sheet	Master netting arrangements	Collateral received/assets pledged	Net amount
Currency derivatives	1,048	-	1,048	-893	-	155
Interest rate derivatives	5	-	5	-5	-	-
CCY ¹⁾	1	-	1	-	-	1
Electricity derivatives	4	-	4	-	-	4
Assets	1,058	-	1,058	-898	-	160
Currency derivatives	1,506	-	1,506	-893	-	613
Interest rate derivatives	83	-	83	-5	-	78
CCY ¹⁾	5	-	5	-	-	5
Electricity derivatives	20	-	20	-	-	20
Liabilities	1,614	-	1,614	-898	-	716

¹⁾ Cross currency basis swaps.

2014	Gross amount	Set-off	Net amount in balance sheet	Master netting arrangements	Collateral received/assets pledged	Net amount
Currency derivatives	507	-	507	-415	-	92
Interest rate derivatives	-	-	-	-	-	-
Electricity derivatives	2	-	2	-	-	2
Assets	509	-	509	-415	-	94
Currency derivatives	1,310	-	1,310	-415	-	895
Interest rate derivatives	91	-	91	-	-	91
Electricity derivatives	7	-	7	-	-	7
Liabilities	1,408	-	1,408	-415	-	993

Credit risk is calculated on established and anticipated risks pursuant to the recommendations of the Bank of International Settlements (BIS I). On 31 December 2015, credit risks amounted to MSEK 3,129 (2,356), of which deposits with banks, mortgage institutions, companies and the Swedish government totalled MSEK 3,079 (2,842).

Hedge reserve

The hedge reserve before tax amounted to MSEK -696 (-720), of which the unrealised value of derivatives was MSEK -594 (-897) and the realised effects arising from rollovers of derivatives was MSEK -102 (177).

The change in the hedge reserve in 2015 of MSEK 24 consists of a reversal to profit or loss of MSEK 361, change in the value of existing derivatives of MSEK -122, the market value of hedges obtained during the year of MSEK 139, and change that arose due to derivative rollovers of MSEK -354. For information on the amount recognised in other comprehensive income, see consolidated net comprehensive income.

The inefficiency in cash flow hedges that affected net income for the year amounted to MSEK 0 (0).

Trading

Proprietary trading is permitted to a limited extent in fixed income and currency instruments. The main purpose of this trading is to gain access to qualitative market information and maintain a high level of market expertise.

The Board of Directors has issued a risk mandate for trading in fixed income and currency instruments. In 2015, MSEK 15 was allocated to trading, expressed as VaR. If the cumulative result for the year is negative, the mandate is reduced correspondingly. In 2015, trading income was MSEK 21 (17), which is reported as other operating income. The average utilised risk mandate (VaR) during the year was MSEK 2 (2).

Pension obligation

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 55 per cent equities/alternative investments (hedge funds), 30-100 per cent interest-bearing instruments, and 15 per cent property. 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, 51 per cent (50) was invested in interest-bearing assets and the remaining 49 per cent (50) in equities and alternative investments. The market value of the fund's assets as of 31 December 2015 was MSEK 5,316 (5,091) and the annual return was 4 per cent (1.1). In 2015, the fund was capitalised by MSEK 0 (194) and MSEK 0 (193) in refunds were paid. The table below shows the solvency margin for the pension fund.

MSEK	31-12-2015	31-12-2014	31-12-2013	31-12-2012
Fair value of assets under management	5,316	5,091	4,595	4,346
Present value of defined-benefit obligations ¹⁾	7,006	7,416	5,785	6,485
Solvency margin	76%	69%	79%	67%
Pension obligation according to PRI	5,237	5,106	4,736	4,615
Solvency margin	102%	100%	97%	94%

¹⁾ Refers to the pension obligation that the assets under management are designed to cover.

NOTE 39 ASSETS PLEDGED AND CONTINGENT LIABILITIES

ACCOUNTING PRINCIPLES

A contingent liability exists if there is a possible commitment stemming from events whose occurrence is dependent on one or more uncertain future events and there is a commitment that is not recognised as a liability or provision because it is unlikely that an outflow of resources will be required or the size of the obligation cannot be estimated with sufficient reliability. Information is provided as long as the likelihood of an outflow of resources is not extremely small.

MSEK	Group		Parent Company	
	31-12-2015	31-12-2014	31-12-2015	31-12-2014
Assets pledged for own liabilities and provisions				
Bonds and other securities	15	-	15	-
Other assets	2	1	-	-
Total	17	1	15	-
Contingent liabilities				
Guarantees to insurance company, PRI Pensionsgaranti	105	102	105	102
Guarantees for Group companies' commitments to customers	-	-	4,643	4,398
Sureties for joint ventures	8	7	-	-
Sureties for associated companies	6	6	-	51
Total	119	115	4,748	4,551

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.

The table below shows the total sum of guarantees that do not represent contingent liabilities and a distribution by category and issuer.

MSEK	31-12-2015	Per cent of total	31-12-2014	Per cent of total
Parent Company guarantees	1,432	10	1,425	16
Bank guarantees	12,826	90	7,302	84
Total guarantees	14,258	100	8,727	100
Bank guarantees:				
On demand	12,476	97	6,544	90
Proprietary	350	3	758	10
Total bank guarantees	12,826	100	7,302	100
Type of guarantee:				
Advances	5,175	36	4,872	56
Completion	5,957	42	3,538	40
Tenders, credits and other	3,126	22	317	4
Total guarantees	14,258	100	8,727	100

With regard to the Group's so-called fulfilment guarantees for commitments to customers, the likelihood of an outflow of resources is extremely small and, as a result, no value is recognised in the table of contingent liabilities.

NOTE 40 TRANSACTIONS WITH RELATED PARTIES

The Group's financial agreements conform to market principles. Saab has not had any significant transactions with Investor, Board members or members of Group Management. For information on remuneration, see note 10.

During the fourth quarter 2015, Saab acquired a real estate company, which owns the property where Saab has its operations in Järfälla, Sweden. The real estate company was then divested at a price corresponding to estimated fair value, to Järfälla Veddesta Holding AB, a jointly owned company where Saab holds 35 per cent and Saab Pension Fund holds 65 per cent. Järfälla Veddesta Holding AB is classified as a joint venture. The acquisition was financed through loans from Saab AB and Saab Pension Fund. Saab's loan to Järfälla Veddesta Holding AB amounts to MSEK 254. The loan is on market conditions. The transaction resulted in a capital gain of MSEK 107.

Of the Parent Company's sales, 5 per cent referred to sales to Group companies, while 13 per cent of the Parent Company's purchases were from Group companies.

Sales to and purchases from the Group's associated companies and joint ventures amounted to approximately MSEK 249 (121) and MSEK 135 (149), respectively. For information on receivables from and liabilities to associated companies and joint ventures, see notes 26 and 36.

NOTE 41 GROUP COMPANIES

Significant Group company holdings

Group company	Group company's registered office, country	Ownership share, per cent	
		2015	2014
Combitech AB	Växjö, Sweden	100	100
Combitech Oy	Finland	100	100
HITT N.V.	The Netherlands	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	75	71
Saab Kockums AB	Malmö, Sweden	100	100
Saab Medav Technologies GmbH	Germany	100	100
Saab Seaeye Ltd	UK	100	100
Saab Sensis Corporation	USA	100	100

Total ownership of non-controlling interests amounts to MSEK 61 (82). No non-controlling interests are considered material.

MSEK	Parent Company	
	2015	2014
Accumulated acquisition value		
Opening balance, 1 January	17,560	17,266
New issues/shareholders' contributions	924	31
Acquisitions	195	320
Sales and liquidations	-266	-57
Closing balance, 31 December	18,413	17,560
Accumulated write-downs		
Opening balance, 1 January	-10,796	-10,795
Write-downs for the year	-839	-1
Sales and liquidations	39	-
Closing balance, 31 December	-11,596	-10,796
Carrying amount, 31 December	6,817	6,764

Write-down reversals and write-downs for the year are reported in the income statement on the line "Result from shares in Group companies".

Note 41, cont.

Specification of Parent Company's holdings of shares in Group companies

31-12-2015			
Group company/Corp. ID no./Registered office	No. of shares	Share, per cent	Carrying amount, MSEK
Celsius AB, 556194-4652, Linköping, Sweden	5,000	100.0	144
Celsius Invest AB, 556164-6588, Stockholm, Sweden	1,720,000	100.0	158
Combitech AB, 556218-6790, Växjö, Sweden	100,000	100.0	1,064
EMC Services Elmijöteknik AB, 556315-6636, Mölndal, Sweden	2,000	100.0	3
Fastighets AB Karlskrona-Varvet, 556976-6941, Karlskrona, Sweden	500	100.0	4
Fastighets AB Linköping Malmen 27, 556354-6349, Linköping, Sweden	20,000	100.0	4
Fastighets AB Stensholm-Huskvarna, 556030-2746, Jönköping, Sweden	150,000	100.0	42
Fastighets AB Tannefors 1:114, 559043-3206, Linköping, Sweden	500	100.0	-
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
Saab Aircraft Leasing Holdings AB, 556124-3170, Linköping, Sweden	30,000	100.0	1,060
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	93
Saab Canada Inc., Canada	-	100.0	1
Saab Czech s.r.o., Czech Republic	-	100.0	25
Saab Danmark A/S, Denmark	-	100.0	103
Saab Dynamics AB, 556264-6074, Karlskoga, Sweden	500,000	100.0	357
Saab France S.A.S, France	-	100.0	-
Saab India Technologies Private Limited, India	-	100.0	-
Saab International AB, 556267-8994, Stockholm, Sweden	50,000	100.0	14
Saab Kenya Ltd, Kenya	-	100.0	-
Saab Kockums AB, 556205-5623, Malmö, Sweden	500,000	100.0	340
Saab Medav Technologies GmbH, Germany	-	100.0	203
Saab Microwave Systems AB, 556028-1627, Mölndal, Sweden	300,000	100.0	49
Saab North America, Inc., USA	-	100.0	2,043
Saab Seaeye Holdings Ltd, UK	-	100.0	194
Saab South Africa (Pty) Ltd, South Africa	-	100.0	443
Saab Support & Services Thailand AB, 559025-4016, Linköping, Sweden	500	100.0	-
Saab Surveillance Systems AB, 556577-4600, Järfälla, Sweden	1,000	100.0	-
Saab Technologies s.r.o., Czech Republic	-	100.0	-
Saab Technologies Norway AS, Norway	-	100.0	3
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 Transpondertech AB, 556535-9790, Linköping, Sweden	1,000	100.0	-
Saab Ventures AB, 556757-5211, Linköping, Sweden	1,000	100.0	-
Teknikinformation i Krokomb AB, 556317-4043, Krokomb, Sweden	1,600	100.0	15
Vricon Inc., USA	-	100.0	-
Dormant companies etc.	-	-	75
Carrying amount at year-end			6,817

NOTE 42 UNTAXED RESERVES

MSEK	Parent Company	
	2015	2014
Tax allocation reserve:		
Opening balance, 1 January	1,618	1,186
Provision for the year	142	432
Closing balance, 31 December	1,760	1,618
Accumulated accelerated/under depreciation		
Buildings and land:		
Opening balance, 1 January	6	18
Under depreciation for the year	-10	-12
Closing balance, 31 December	-4	6
Machinery and equipment:		
Opening balance, 1 January	355	356
Accelerated/under depreciation for the year	28	-1
Closing balance, 31 December	383	355
Total untaxed reserves, 31 December	2,139	1,979

NOTE 43 STATEMENT OF CASH FLOWS, SUPPLEMENTAL INFORMATION

The Group's free cash flow, and a reconciliation between free cash flow and cash flow for the year from the statement of cash flows, are stated below.

FREE CASH FLOW

MSEK	Group	
	2015	2014
Cash flow from operating activities before changes in working capital¹⁾	2,706	2,221
Working capital		
Inventories	349	-856
Current receivables	-3,573	-282
Advance payments from customers	284	21
Other current liabilities	1,426	-914
Provisions	-306	-536
Change in working capital	-1,820	-2,567
Cash flow from operating activities²⁾	886	-346
Investing activities		
Investments in intangible fixed assets	-594	-239
Investments in tangible fixed assets	-799	-732
Sale of tangible fixed assets	7	15
Sale of lease assets	-	105
Cash flow from investing activities³⁾	-1,386	-851
Operational cash flow	-500	-1,197
Taxes and other financial items	-528	-367
Sale of and investments in shares etc.	221	19
Acquisitions of subsidiaries and associated companies	-235	152
Sale of subsidiaries and associated companies	316	299
Free cash flow	-726	-1,094

¹⁾ Cash flow from operating activities before changes in working capital excluding taxes and other financial items.

²⁾ Cash flow from operating activities excluding taxes and other financial items.

³⁾ Cash flow from investing activities excluding change in short-term investments and other interest-bearing financial assets and excluding sale of and investment in financial assets, investments in operations and associated companies and sale of subsidiaries and associated companies.

FREE CASH FLOW VERSUS CASH FLOW FOR THE YEAR IN STATEMENT OF CASH FLOWS

MSEK	2015	2014
Free cash flow	-726	-1,094
Investing activities – interest-bearing:		
Short-term investments	-1,722	720
Other financial investments and receivables	-353	21
Financing activities:		
Repayment of loans	-1,865	-468
Raising of loans	4,758	1,000
Repurchase of shares	-	-252
Dividend paid to the Parent Company's shareholders	-501	-479
Dividend paid to non-controlling interest	-10	-5
Cash flow for the year	-419	-557

SUPPLEMENTAL INFORMATION ON STATEMENT OF CASH FLOWS**Liquid assets**

MSEK	Group	
	31-12-2015	31-12-2014
The following components are included in liquid assets:		
Cash and bank balances	850	1,284
Total according to the statement of financial position	850	1,284
Total according to statement of cash flows	850	1,284

MSEK	Parent Company	
	31-12-2015	31-12-2014
The following components are included in liquid assets:		
Cash and bank balances	211	377
Total according to balance sheet	211	377
Total according to statement of cash flows	211	377

Interest paid and dividends received

MSEK	Group		Parent Company	
	2015	2014	2015	2014
Dividends received	25	2	47	102
Interest received	-	72	171	186
Interest paid	-74	-51	-103	-190
Total	-49	23	115	98

Note 43, cont.

Adjustments for items not affecting cash flow

MSEK	Group		Parent Company	
	2015	2014	2015	2014
Depreciation and amortisation	959	872	641	582
Capital gains/losses from sales of Group companies, associated companies and other shares	-366	-161	-186	-256
Provisions	97	30	-34	-94
Write-downs	-	-	839	-
Share of profits in associated companies and joint ventures	-40	-18	-	-
Dividends and Group contributions from/to Group companies	-	-	-472	-104
Write-down of shares and receivables	-	19	-	1
Other	38	-19	-171	53
Total	688	723	617	182

Investments in operations

MSEK	Group	
	2015	2014
Acquired assets and liabilities		
Intangible fixed assets	4	259
Tangible fixed assets	613	157
Financial fixed assets	-	12
Deferred tax assets	-	281
Inventories	-	35
Current receivables	4	372
Liquid assets	3	540
Total assets	624	1,656
Provisions for pensions	-	186
Other provisions	-	601
Interest-bearing liabilities	408	-
Current liabilities	4	529
Total liabilities	412	1,316
Purchase price paid	224	356
Less: Liquid assets in acquired operations	-3	-540
Effect on the Group's liquid assets (positive (-) / negative (+))	221	-184

Acquisitions in 2015 mainly relate to Fastighets AB Järfälla Veddesta 2:81. Acquisitions in 2014 relate to ThyssenKrupp Marine Systems AB. Purchase price paid also includes payment to minority stakeholders in Saab South Africa (Pty) Ltd in 2015 and in Bayes Risk Management AS 2014.

Acquisition of associated companies and joint ventures

MSEK	Group	
	2015	2014
Acquired assets and liabilities		
Financial fixed assets	14	32
Total assets	14	32
Purchase price paid	14	32
Effect on Group's liquid assets (positive (-) / negative (+))	14	32

Acquisitions in 2015 relate to investments in Combient AB and in the venture portfolio. Acquisitions in 2014 relate to KedTech Holding AB and acquisitions in the venture portfolio.

Sale of subsidiaries and associated companies

MSEK	Group	
	2015	2014
Divested assets and liabilities		
Tangible fixed assets	613	75
Financial fixed assets	-	123
Deferred tax assets	-	3
Inventories	-	35
Current receivables	8	41
Liquid assets	3	19
Total assets	624	296
Provisions	-	1
Deferred tax liability	-	4
Interest-bearing liabilities	408	-
Current liabilities	4	58
Total liabilities	412	63
Sales price	319	318
Purchase price received	319	318
Less: Liquid assets in divested operations	-3	-19
Effect on the Group's liquid assets	316	299

Divestments in 2015 mainly relate to Fastighets AB Järfälla Veddesta 2:81. Divestments in 2014 relate to the shares in Hawker Pacific Aircservices Ltd, a property company and the deconsolidation of Saab Grintek Technologies (Pty) Ltd.

NOTE 44 INFORMATION ON PARENT COMPANY

Saab AB (publ) is a limited company registered in Sweden, with its registered office in Linköping. The Parent Company's B shares are registered on the Nasdaq Stockholm. The address of the head office is Saab AB, Box 12062, SE-102 22 Stockholm, Sweden.

The consolidated accounts for 2015 comprise the Parent Company and its Group companies, together referred to as the Group. The Group also includes the holdings in associated companies and joint ventures.

Saab AB also operates a small business in a South Korean branch.

NOTE 45 ENVIRONMENTAL REPORT**Operations subject to licensing in the Parent Company**

Production of aircraft and aircraft components by the Parent Company, Saab AB, in the Tannefors industrial zone in the municipality of Linköping is subject to licensing pursuant to the Swedish Environment Code due to aeronautics operations, surface treatment processes, manufacturing of composite materials, handling of chemical substances, the firing of large calibre weapons and the size of the manufacturing facilities. The environmental impact of these operations primarily arises from emissions of volatile organic compounds (VOCs) and aircraft emissions into the atmosphere 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 violate any injunctions in 2015.

Operations subject to licensing in subsidiaries

The operations carried on by Saab Airport AB are subject to licensing under the Environment Code and are covered by the permit issued by the National Licensing Board for Environmental Protection in 1990 for Saab's collective operations in the Tannefors industrial zone in the municipality of Linköping. This permit also covers the operations of Saab Dynamics AB in the area, despite the fact that they are not subject to licensing and notification requirements under the Environment Code.

Saab Dynamics AB and Saab Bofors Test Center AB run operations in Karlskoga that are subject to licensing under the Environment Code and Saab Barracuda AB runs operations subject to licensing in Gamleby. In addition, Saab Kockurns AB runs operations subject to licensing in Karlskrona and on Muskö island, south of Stockholm.

The environmental impact from subsidiaries subject to licensing primarily consists of emissions of VOCs 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.

With the exception of a few exceeded recommended values, Saab's subsidiaries did not exceed any conditions in its permits or violate any injunctions in 2015.

Operations subject to notification requirements

Saab AB has operations in Arboga, Huskvarna, Jönköping, Ljungbyhed, Malmslätt, Nyköping and Östersund which are subject to notification requirements pursuant to the 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 subsidiary Saab Dynamics AB in Motala. Permit in Motala still applies. The environmental impact of these operations is extremely limited.

NOTE 46 EXCHANGE RATES USED IN FINANCIAL STATEMENTS

Land	Year-end rate		Average rate			
	2015	2014	2015	2014		
Australia	AUD	1	6.09	6.37	6.34	6.19
Denmark	DKK	100	122.42	127.81	125.44	122.03
Euro	EUR	1	9.14	9.52	9.36	9.10
India	INR	100	12.58	12.30	13.17	11.25
Canada	CAD	1	6.03	6.72	6.60	6.21
Norway	NOK	100	95.56	105.16	104.65	108.94
Switzerland	CHF	1	8.43	7.91	8.77	7.49
UK	GBP	1	12.38	12.14	12.90	11.29
South Africa	ZAR	100	54.33	67.22	66.48	63.19
Czech Republic	CZK	100	33.80	34.35	34.30	33.04
USA	USD	1	8.35	7.81	8.44	6.86

NOTE 47 DEFINITIONS OF KEY RATIOS

Capital employed Total assets less non-interest-bearing liabilities.

Capital turnover Sales divided by average capital employed.

Earnings per share Net income for the year attributable to the Parent Company's shareholder, divided by the average number of shares before and after full dilution. There is no dilution impact if the result is negative.

EBITDA Operating income before depreciation/amortisation and write-downs less depreciation/amortisation and write-downs of lease aircraft.

EBITDA margin Operating income before depreciation/amortisation and write-downs less depreciation/amortisation and write-downs 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.

Free cash flow per share Free cash flow (according to note 43) divided by the average number of shares after dilution.

Gross margin Gross income as a percentage of sales.

Interest coverage ratio Operating income plus financial income divided by financial expenses.

Net liquidity/net debt Liquid assets, short-term investments and interest-bearing receivables less interest-bearing liabilities and provisions for pensions excluding provisions for pensions attributable to special employers' contribution.

Operating margin Operating income (EBIT) 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.

REPORTS

DIVIDEND MOTIVATION

The Board of Directors' statement according to chapter 18, § 4 of the Companies Act with regard to the proposed dividend – Saab AB

Saab is one of the world's leading high-technology companies, because of which its operations are distinguished by complex development assignments on the cutting edge of technology. Over the years, Saab has conducted significant development projects and managed the associated risks with great success. See also risks and uncertainties in the annual report.

The Board of Directors' proposed dividend amounts to SEK 5.00 per share, corresponding to a total dividend of MSEK 530. Unrestricted equity amounts to MSEK 5,020 in Saab AB and profit carried forward in the Group before the dividend is paid amounts to MSEK 10,936.

Net income for the year attributable to the Parent Company's shareholders amounted to MSEK 1,362 for the Group and MSEK -37 for the Parent Company.

After paying the dividend to the shareholders, the Group's equity/assets ratio amounts to 35.8 per cent, compared to the target of 30 per cent. Since the IPO in 1998, the equity/assets ratio has risen from 22 per cent to 36.8 per cent in 2015.

Saab's gross capital expenditure in 2015 amounted to MSEK 799, which is considered a good estimation of annual future investments in tangible fixed assets. Investments are also made in research and development, which in 2015 amounted to

MSEK 1,765, of which MSEK 524 was capitalised in the balance sheet.

At year-end, Saab had a net debt, which includes liquid assets, short-term investments and interest-bearing receivables less interest-bearing liabilities, including provisions for pensions, amounting to MSEK 3,217. 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

REPORTS

PROPOSED DISPOSITION OF EARNINGS 2015

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	5,056,785,198
Net income for the year	-37,280,900
Total	5,019,504,298

be disposed as follows:

To the shareholders, a dividend of SEK 5.00 per share	529,785,325
Funds to be carried forward	4,489,718,973
Total	5,019,504,298

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	687,915,918
Retained earnings	4,489,718,973
Total	7,466,511,530

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 530 (501), or SEK 5.00 per share (4.75) be issued as a dividend. This has been calculated based on the amount of outstanding shares on 31 December 2015, of 105,957,065. Saab's equity/assets ratio is currently 36.8 per cent (38.5) and after the proposed disposition of earnings will be 35.8 per cent (37.4)

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 26 February 2016

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 3 March 2016
PricewaterhouseCoopers AB

Anna-Clara af Ekenstam
Authorised Public Accountant
Auditor in charge

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 2015, except for the corporate governance statement on pages 48–56. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 34–114.

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 in accordance with the Annual Accounts Act and of the 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 opinions.

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 2015 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 2015 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. Our opinions do not cover the corporate governance statement on pages 48–56. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Saab AB for the year 2015. We have also conducted a statutory examination of the corporate governance statement.

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 and that the corporate governance statement on pages 48–56 has been prepared in accordance with the Annual Accounts 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.

Furthermore, we have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory 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.

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 3 March 2016

PricewaterhouseCoopers AB

Anna-Clara af Ekenstam
*Authorised Public Accountant
Auditor in charge*

INFORMATION TO SHAREHOLDERS

ANNUAL GENERAL MEETING 2016

The Annual General Meeting will be held at 4:00 pm (CET) on Thursday, 14 April 2016 at Saab's hangar, Åkerbovägen 10, Linköping, Sweden.

NOTIFICATION

Shareholders must notify the company of their intention to participate in the meeting not later than Friday, 8 April 2016.

- By telephone +46 13 18 20 55
- By mail with reply card in separate invitation or to: Saab Annual General Meeting, Box 7839, 103 98 Stockholm, Sweden
- Online: www.saabgroup.com/arsstamma

Please indicate your name, personal ID number (Swedish citizens), address and telephone number. If you are attending by power of proxy, registration certificate or other authorisation, please submit your documentation well in advance of the meeting. The information you provide will be used only for the Annual General Meeting.

Shareholders or their proxies may be accompanied at the Annual General Meeting by a maximum of two people. They may only attend, however, if the shareholder has notified Saab AB as indicated above.

RIGHT TO PARTICIPATE

Only shareholders recorded in the share register maintained by Euroclear Sweden AB on Friday, 8 April 2016 are entitled to participate in the meeting. Shareholders registered in the names of nominees through the trust department of a bank or a brokerage firm must temporarily reregister their shares in their own names to participate in the meeting. To ensure that this re-registration is recorded in the share register by Friday, 8 April 2016, they must request re-registration with their nominees several business days in advance.

DIVIDEND

The Board of Directors proposes a dividend of SEK 5.00 per share and 18 April 2016 as the record day for the dividend. With this record day, Euroclear Sweden AB is expected to distribute the dividend on 21 April 2016.

DISTRIBUTION OF THE ANNUAL REPORT

The annual report will be available on Saab's website, www.saabgroup.com, approximately four weeks prior to the Annual General Meeting on 14 April. A printed version of the annual report will be distributed to shareholders who request it. A printed version of the annual report can also be ordered by e-mail to servicecenter@servistik.se.

MULTI-YEAR OVERVIEW

MSEK. unless otherwise indicated	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Order bookings	81,175	22,602	49,809	20,683	18,907	26,278	18,428	23,212	20,846	27,575
Order backlog 31 December	113,834	60,128	59,870	34,151	37,172	41,459	39,389	45,324	47,316	50,445
Sales	27,186	23,527	23,750	24,010	23,498	24,434	24,647	23,796	23,021	21,063
Foreign market sales, %	58	55	59	64	63	62	69	68	65	65
Defence sales, %	82	79	81	82	84	83	83	83	81	79
Operating income (EBIT)	1,900	1,659	1,345	2,050	2,941	975	1,374	166	2,607	1,745
Operating margin, %	7.0	7.1	5.7	8.5	12.5	4.0	5.6	0.7	11.3	8.3
Operating income before depreciation/ amortisation and write-downs (EBITDA)	2,859	2,523	2,367	3,168	4,088	2,187	2,598	1,515	3,685	2,519
EBITDA margin, %	10.5	10.7	10.0	13.3	17.4	9.0	10.5	6.4	16.0	12.0
Income after financial items	1,731	1,523	979	2,003	2,783	776	976	-406	2,449	1,693
Net income for the year	1,402	1,168	742	1,560	2,217	454	699	-242	1,941	1,347
Net income attributable to Parent Company's shareholders	1,362	1,153	741	1,585	2,225	433	686	-248	1,921	1,300
Total assets	35,088	29,556	27,789	28,938	31,799	29,278	30,430	32,890	33,801	32,771
-of which advance payments, net	1,098	856	818	553	1,022	643	442	897	2,558	3,642
-of which total equity	12,912	11,373	12,227	11,280	13,069	11,444	10,682	9,330	11,008	10,025
-of which equity attributable to Parent Company's shareholders	12,851	11,291	12,136	11,168	12,950	11,274	10,542	9,240	10,981	9,802
Equity per share, SEK ¹⁾	121.28	107.02	114.04	105.43	122.94	107.66	99.91	86.49	101.53	89.80
Net liquidity/debt excluding interest-bearing receivables and net provisions for pensions	-1,880	185	1,953	3,837	4,735	2,382	-1,631	-3,061	-2,802	-261
Net liquidity/debt	-3,217	-2,113	813	1,996	5,333	3,291	-634	-1,693	-1,627	605
Cash flow from operating activities	358	-713	-662	350	2,392	4,487	1,696	954	-1,304	969
Free cash flow	-726	-1,094	-1,460	-396	2,477	4,349	1,447	659	-1,603	-1,900
Free cash flow per share after dilution, SEK	-6.82	-10.23	-13.38	-3.63	22.69	39.84	13.26	6.13	-14.69	17.41
Average capital employed	18,454	15,897	15,454	15,131	13,987	13,743	13,775	13,994	13,430	12,789
Return on capital employed, %	11.2	11.1	9.1	14.6	22.2	7.9	10.3	1.4	19.4	14.5
Return on equity, %	11.5	9.9	6.3	12.8	18.1	4.1	7.0	-2.4	18.5	13.8
Profit margin, %	7.61	7.49	5.92	9.18	13.21	4.47	5.78	0.82	11.40	8.83
Capital turnover rate, multiple	1.47	1.48	1.54	1.59	1.68	1.78	1.79	1.70	1.71	1.65
Equity/assets ratio, %	36.8	38.5	44.0	39.0	41.1	39.1	35.1	28.4	32.6	30.6
Interest coverage ratio, multiple	6.12	7.37	3.29	10.91	9.58	3.20	3.16	0.35	21.40	13.47
Earnings per share before dilution, SEK ^{2) 5)}	12.88	10.86	6.98	15.00	21.19	4.12	6.45	-2.31	17.68	11.91
Earnings per share after dilution, SEK ^{3) 5)}	12.79	10.78	6.79	14.52	20.38	3.97	6.28	-2.31	17.60	11.91
Dividend, SEK	5.00⁴⁾	4.75	4.50	4.50	4.50	3.50	2.25	1.75	4.50	4.25
Gross capital expenditures for tangible fixed assets	799	732	543	328	325	262	197	386	395	433
Research and development costs	6,841	5,970	6,543	5,946	5,116	5,008	4,820	4,141	4,523	3,537
Number of employees at year-end	14,685	14,716	14,140	13,968	13,068	12,536	13,159	13,294	13,757	13,577

¹⁾Number of shares, excluding treasury shares, as of 31 December 2015: 105,957,065, 2014: 105,499,980, 2013: 106,414,144, 2012: 105,930,829, 2011: 105,331,958, 2010: 104,717,729, 2009: 105,511,124, 2008: 106,829,893, 2007: 108,150,344, 2006: 109,150,344.

²⁾Average number of shares 2015: 105,714,805, 2014: 106,125,666, 2013: 106,125,107, 2012: 105,632,911, 2011: 104,982,315, 2010: 105,217,786, 2009: 106,335,553, 2008: 107,515,049, 2007: 108,668,700, 2006: 109,150,344.

³⁾Average number of shares 2015: 106,450,263, 2014: 106,916,255; 2009-2013: 109,150,344, 2008: 107,515,049; 2006-2007: 109,150,344.

⁴⁾2015 Board of Directors' proposal.

⁵⁾Net income less non-controlling interest divided by average number of shares.

Financials for 2013 are restated according to the changed accounting principles for joint arrangements (IFRS 11).

Financials for 2012 are restated according to the changed accounting principles for pensions (IAS 19).

Financials for 2011 and earlier are not restated.

GLOSSARY

9LV	Combat Management System	Giraffe AMB	Surveillance radar system
A26	Submarine programme for the Swedish Navy	GlobalEye	Airborne surveillance system (AEW&C)
AESA	Active Electronically Scanned Array	GRI	Global Reporting Initiative
AEW&C	Airborne Early Warning & Control	Gripen	Fighter system
AMB	Agile Multi-Beam	ICT	Information and Communications Technology
Arthur	Artillery Hunting Radar	ISP	Inspectorate of Strategic Products
AT4	Anti-Tank weapon	ISR	Intelligence, surveillance and reconnaissance
AUV	Autonomous Underwater Vehicle	LFV	The Air Navigation Service Provider for Sweden
C4I	Command, Control, Communications, Computers and Intelligence	R&D	Research and Development
Carl-Gustaf	Man-portable multi-role weapons system	ROV	Remotely operated vehicle
CBRN	Chemical, Biological, Radiological, Nuclear agents	SOTACS	Special Operations Tactical Suit
CISB	Swedish-Brazilian Centre for Research and Innovation	T-X Program	The United States procurement programme for fighter trainers
Erieye	Airborne surveillance system system (AEW&C)	UAV	Unmanned Aerial Vehicle
FMV	Försvarets Materielverk (Swedish Defence and Materiel Administration)	WASP	Wallenberg Autonomous Systems Program
FTE	Full Time Equivalent		

CONTACT INFORMATION

Headquarters

Saab AB

P.O. Box 12062

SE-102 22 Stockholm, Sweden

Visiting address: Gustavslundsvägen 42, Bromma

Telephone: +46 8 463 00 00

Linköping

Saab AB

P.O. Box 14085

SE-581 88 Linköping, Sweden

Visiting address: Bröderna Ugglas gata, Linköping

Telephone: +46 13 18 00 00

Corp. ID no. 556036-0793

www.saabgroup.com

www.saab.com



SAAB