



**SAAB**

ANNUAL REPORT **2014**



## VISION

It is a human right to feel safe.

## MISSION

To make people safe by pushing intellectual and technological boundaries.

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The formal annual report comprises the pages 40–131. 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.

Financial reports can be ordered from [servicecenter@servistik.se](mailto:servicecenter@servistik.se)

## CALENDAR

Annual General Meeting, 15 April 2015

Interim Report January – March, 24 April 2015

Interim Report January – June, 17 July 2015

Interim Report January – September, 23 October 2015

Year-end report January – December, 10 February 2016



## MAKING PEOPLE AND SOCIETY SAFE

Saab is a global defence and security company that develops, manufactures and sells some of the world's most advanced military and civilian solutions. The broad product portfolio is constantly evolving and currently ranges from combat aircraft, radar and weapon systems to civilian surveillance systems e.g. for ports and airports.

### BROAD OFFERING



**Air:** The Gripen combat aircraft system, as well as command and control and surveillance systems, unmanned aerial vehicles, self-protection systems and signals intelligence, avionics, weapon systems and sensors.



**Land:** Tactical weapon systems such as Carl-Gustaf, surveillance, command and control systems and radar.



**Naval:** Submarines, surface vessels, unmanned underwater systems, command and control systems, radar and early warning, situational awareness, communication systems and tactical weapons.



**Civil security:** Surveillance and situational awareness as well as solutions for secure, efficient flows at airports, in ports and along coasts and emergency response.



**Commercial aeronautics:** Including structures for commercial aircraft such as doors, wings and ailerons, advanced electronics for critical applications for leading international aircraft manufacturers such as Boeing and Airbus and maintenance of the Saab 340 and Saab 2000 aircraft in operation.

Share of Saab's total sales 2014

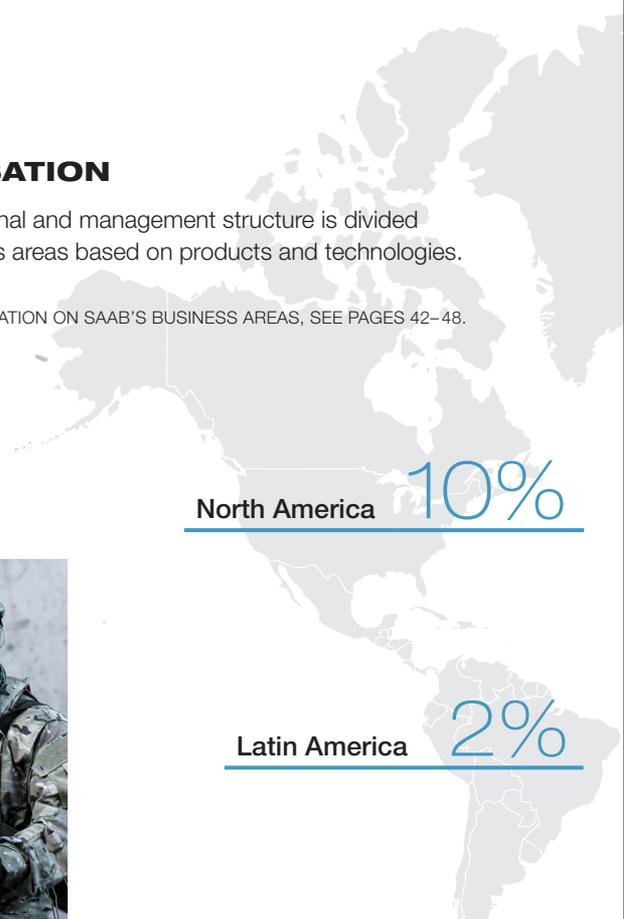
FOR MORE INFORMATION ON SAAB'S OFFERING, SEE PAGES 18-21.



### ORGANISATION

Saab's operational and management structure is divided into six business areas based on products and technologies.

FOR MORE INFORMATION ON SAAB'S BUSINESS AREAS, SEE PAGES 42-48.





## STRATEGY FOR INNOVATIVE SOLUTIONS

Saab's strategy is to:

- Become closer to customers in key markets
- Develop innovative solutions in priority product
- Continue to improve efficiencies
- Continuously develop leaders and employees while continuing to build a culture that encourages performance, engagement and diversity

FOR MORE INFORMATION ON SAAB'S STRATEGY, SEE PAGES 26-34.

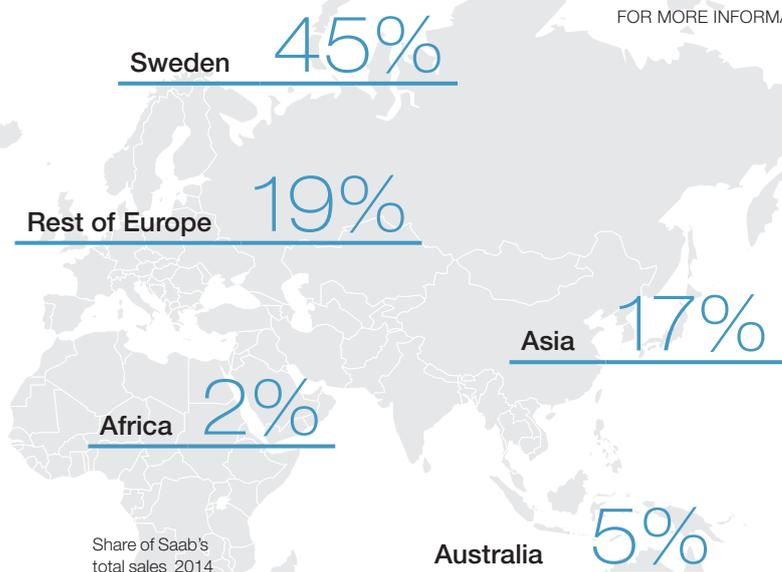


## ON LOCATION CLOSE TO CUSTOMERS

A large part of Saab's sales comes from Sweden and the rest of Europe. Asia and Latin America are growth markets for Saab.

Saab's market organisation is divided into five geographical areas and is based on a strong local presence in a number of key markets.

FOR MORE INFORMATION ON SAAB'S MARKET AREAS, SEE PAGES 13-15.



Share of Saab's total sales 2014



# SAAB 2014

2014 was an eventful year with a number of groundbreaking product launches as well as a contract with Brazil for the new generation Gripen.

## GRIPEN TO BRAZIL

Saab signed a contract with the Brazilian government for the development, production and support of 36 next generation Gripen aircraft for the Brazilian Air Force.

## SAAB KOCKUMS

The Swedish shipyard ThyssenKrupp Marine Systems, now Saab Kockums, was acquired during the year.

## NEXT GENERATION SUBMARINES

Saab received an order from the Swedish Defence Materiel Administration (FMV) to generate construction and production plans for Sweden's next generation submarines. A contract was also received for overhaul and support of the country's current submarine fleet.

## EXPANDED PRODUCT PORTFOLIO IN SURVEILLANCE RADAR

Saab's proven surveillance radar systems, Giraffe AMB and Arthur, have been given improved technology and designs at the same time that Active Electronically Scanned Array (AESA) radar was launched for land and sea.

## CARL-GUSTAF WEAPON SYSTEM

In February, the Carl-Gustaf portable weapon system was named a Program of Record by

the US Army. In addition, the latest generation, Carl-Gustaf M4, was launched.

## NEW VERSIONS OF THE AT4 WEAPON SYSTEM TO FRANCE

The French Ministry of Defence has ordered new versions of the AT4 anti-armour weapon, which will be employed by all three branches of the French Armed Forces (Army, Air Force and Navy).

## WORLD'S FIRST REMOTELY CONTROLLED AIR TRAFFIC CONTROL TOWER CLEARED FOR OPERATION

The Swedish air navigation service provider, LfV, received clearance from the Swedish Transport Agency to begin remotely controlled air traffic control at Örnsköldsvik Airport.

## ORDERS FOR MILITARY TRAINING SYSTEMS

During the year, Saab received a number of orders for military training systems, including weapon simulators, from Finland, the US and the UK.

## DIVIDEND

For 2014 the Board of Directors is proposing that the Annual General Meeting approve a dividend to shareholders of SEK 4.75 (4.50) per share, corresponding to 43 per cent (65) of net income.

## Financial highlights (MSEK)

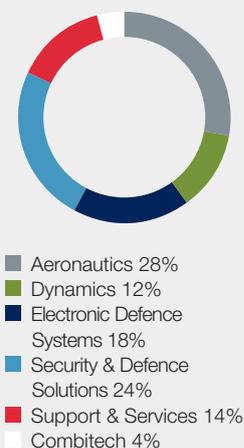
	2014	2013	2012
Order backlog at year-end	60,128	59,870	34,151
Sales	23,527	23,750	24,010
Operating income (EBIT)	1,659	1,345	2,050
Operating margin (EBIT), %	7.1	5.7	8.5
Net income	1,168	742	1,560
Earnings per share after dilution, SEK	10.78	6.79	14.52
Free cash flow	-1,094	-1,460	-396
Dividend per share, SEK	4.75*	4.50	4.50
Equity/assets ratio, %	38.5	44.0	39.0
Internally funded R&D, share of sales, %	5.7	5.6	7.5
Number of employees at year-end	14,716	14,140	13,968

\*Proposed dividend

## Order bookings and sales



## Sales per business area 2014



### Sales growth

-1%

Goal:  
5 per cent organic growth per year over a business cycle

### Operating margin

7%

Goal:  
At least 10 per cent per year over a business cycle

### Equity/assets ratio

39%

Goal:  
An equity/assets ratio exceeding 30 per cent

# CHAIRMAN'S STATEMENT

## 2014 – A SIGNIFICANT YEAR

My fellow shareholders and others with an interest in Saab, as Chairman I would first and foremost like to thank Saab's CEO, Group Management and employees for the excellent job they did in 2014. Saab strengthened its foundation for growth in a number of ways during the year, including by signing a contract with Brazil on the development and production of Gripen NG and by expanding its naval capabilities in Sweden through the acquisition of Saab Kockums.

The world is constantly changing, and doing so quickly. People are finding new solutions to the problems of today and tomorrow. There are numerous uncertainties, but in many ways our world is developing in a positive direction. More children than ever, both boys and girls, are getting an education. In Sweden, progress continues to be made in high technology, innovation and exports.

While there are many positive signs, there are also plenty of challenges. Global economic development remains problematic, and is also affected by political developments in many parts of the world. Conflicts between countries and between various groups, not to mention the alarming increase in extremism and terrorism, make everyone less safe.

Saab is affected by this trend. A high-tech company that offers defence and security solutions so that countries can protect their borders and their people is naturally going to be impacted in several ways. It has been that way since Saab was founded. The core of Saab's daily mission is to push development forward in order to safeguard the right of every individual to safety and security. It is a privilege to play a part in this process.

### **COLLABORATIVE INNOVATION**

My grandfather played a role at Saab at the very beginning. When the company was created, Parliament felt that Sweden should have the capacity to develop its own combat aircraft, since it was difficult on the brink of a world war to procure defence materiel from other countries. Ever since, it has been critical for Saab to co-operate with the Swedish Armed Forces and to supply cost-efficient, innovative and competitive products and solutions. Today, Saab is an international company. In 2014, it devoted about 25 per cent of sales to research and development. A large part of that development is conducted in close collaboration with customers from around the world, and their demands help to shape us as a company. The Gripen combat aircraft system is an example how internal efficiency, close co-operation with customers and the best suppliers from around the world can produce high quality and commercial success.

### **2014 – A MILESTONE IN SAAB'S HISTORY**

In summing up 2014, I would call it one of the modern Saab's most important years ever. There have been a number of past milestones, of course,

including 1998, when Saab received its first export order for Gripen from South Africa, and 2006, when Ericsson Microwave Systems was acquired, enabling Saab to develop world-leading radar systems. But 2014 was significant in several ways. In a national referendum in May, the Swiss voted no to the funding plan for Gripen. This was naturally a disappointment, but the fact remains that the Swiss government's choice of Gripen helped in the successful development of the system. When the historical contract was later signed with Brazil on the next generation Gripen, interest in the fighter increased significantly around the world. Through an acquisition we have created Saab Kockums, further broadening Saab's product portfolio. Today, the company can develop, produce and supply turnkey solutions for military or civilian needs. In this way, Saab's solutions help to address security threats and to promote security, democracy and development.

### **GROWTH AND LONG BUSINESS CYCLES**

At year-end, Saab's order backlog amounted to approximately SEK 60 billion, nearly double that of two years earlier. This provides a stable foundation for future growth. At the same time, improvements are continuously being made to the product portfolio to ensure that Saab remains at the forefront of technological innovation. In 2014, after years of self-financed development, the company launched several world-leading technologies. The industry's business cycles are long, and it is not unusual that the time between initial discussion and signed contract is several years, or, in some cases, decades. An established presence in local markets, a continuous focus on higher efficiency and openness to new development opportunities are the keys to successful growth.

### **INCREASED TRADE STIMULATES GROWTH**

An increasingly integrated society requires technologies with the flexibility, multifunctionality and ability to operate jointly. In last year's annual report I wrote about the importance of technology transfers and exchanging skills, as well as long-term collaborations between countries and various other parties. This remained important in 2014 and, in several ways, intensified. A good example is the discussions on a trade agreement between the European Union and the US (Transatlantic Trade and Investment Partnership, TTIP). An

For the defence industry and Saab, collaboration is vital. We have had established international partnerships for many years in training, research and development, and production, which have helped to make the company a success in its areas of expertise.



important factor for TTIP is finding common standards, so that US and European companies can more easily do business across the Atlantic.

For the defence industry and for Saab, collaboration is vital. We have had established international partnerships for many years in training, research and development and production, which have helped to make the company a success in its areas of expertise. While our research and development is primarily based in Sweden, we are constantly expanding internationally. As part of the Gripen contract with Brazil, for example, we are broadening development ties with Brazilian industry and universities.

Trade and international business relationships make Saab and the world in which we live stronger. Like many other Swedish industrial companies, exports are critical to Saab's strength and survival. With Sweden as a base, export opportunities contribute to our ability to develop more of tomorrow's defence solutions.

#### **SAAB – AN OPEN AND TRANSPARENT COMPANY**

Saab is an open and transparent company and takes an active part in the development of global guidelines and regulations for business ethics. In 2011, we endorsed the UN's Global Compact and its ten principles in the areas of human rights, labour, the environment and anti-corruption. The Global Compact is integrated in the Saab Code of Conduct. Saab is and will remain a long-term, reliable business partner that embraces an open and transparent market.

Stockholm, February 2015

Marcus Wallenberg  
Chairman

# CHALLENGES AND CONFIDENCE IN THE FUTURE

2014 will go down in history as one of Saab's most important years. It was a year highlighted by groundbreaking deals, important product launches and business successes.

We have strengthened our customer offering and our competitiveness. Saab operates in a challenging, highly competitive market, and I am proud that we are succeeding under these circumstances. But at the same time there is still work to do to reach Saab's goals and ambitions.

### A GROUNDBREAKING YEAR FOR SAAB

The contract with Brazil on the new generation Gripen is the biggest export order in Saab's history. This, together with the fact that we are already developing Gripen for Sweden, ensures that the Gripen system will be one of the world's leading fighter aircraft in coming decades. Innovative new products were launched, and after the acquisition of ThyssenKrupp Marine Systems (Saab Kockums) we have become a turnkey supplier of military systems for land, air and sea.

### CHANGING MARKET PRESENTS OPPORTUNITIES

The defence market has been challenging since the global recession began in 2008. Strained government budgets have reduced investments in defence and security products in recent years. Defence spending is projected to rise going forward, but the turnaround is not expected to be quick or strong and therefore will not impact Saab in the short term.

The market is changing at an accelerating pace. Technological developments, combined with completely different threat scenarios compared with a couple of decades ago, are creating opportunities for companies that are able to adapt to the new conditions.

### CONTINUOUS DEVELOPMENT AND IMPROVEMENT

Two key internal priorities are project management and leadership development. We are developing a leadership culture on every level of the company with a focus on performance and a desire to continuously grow. Saab is a workplace that offers professional and personal development in combination with a positive and inclusive climate.

### INNOVATIONS FOR THE FUTURE

Investments in research and development during the year corresponded to about 25 per cent of sales. The large part of R&D is done in close co-operation with customers, including the development of the new generation Gripen.

Our own major investments also resulted in the following launches in 2014:

- Experience with Active Electronically Scanned Array (AESA) technology, combined with an understanding of market needs, resulted in five completely new radar systems for land and sea.
- The fourth generation of Carl-Gustaf, CG M4, was launched.
- The Swedish Transport Agency gave clearance to the Örnköldsvik Airport to begin using Saab's Remote Tower, making it the first airport in the world to be managed remotely.

A big change for Saab happened during the summer with the acquisition of ThyssenKrupp Marine Systems. This means that Saab has now taken a further step in the naval area and become a turnkey supplier of submarines, among other things. The design of the next generation submarine, A26, is now underway.



The order backlog is strong and there is every reason to be optimistic about the future.



### **LONG-TERM GROWTH**

The order backlog is strong and there is every reason to be optimistic about the future. We have already signed important contracts and see good business opportunities, especially after our new product launches. In 2015, the Gripen order from Brazil is expected to become official, provided that certain benchmarks unrelated to Saab are met.

Since the level of activity from major orders can fluctuate between years and the deals take so long, it is also important for us to have a stable backlog of smaller orders.

Sales were in line with the previous year at MSEK 23,527, but organic sales growth was negative. It was mainly in business area Dynamics that sales fell, due to a challenging market in recent years. At the same time, the business area Security and Defence Solutions increased its sales, partly through the acquisition of Saab Kockums.

Our long-term goal is to grow organically, which makes it important to ensure that the order backlog increases and, with it, future sales.

### **MONITORING AND TRANSPARENCY**

Operating income in 2014 amounted to MSEK 1,659, with an operating margin of 7.1 per cent. During the year, we continued to reassess our company portfolio. We have acquired Saab Kockums and sold our minority interest in Hawker Pacific Airservices.

In 2013, we introduced a clearer governance model and the increased internal transparency has been valuable. Better monitoring helps us to navigate in increasingly complex markets.

Efforts to further improve operations and efficiencies are continuing. The efficiency measures announced in 2013 have been implemented and the goal of improving efficiency by MSEK 500 was reached in 2014. This was primarily achieved through capacity adjustments and by reducing the total number of FTE's and external consultants by about 950 from the beginning of 2013, excluding the acquisition of Saab Kockums and deconsolidation of Saab Grintek Technologies (Pty) Ltd in South Africa. The efficiencies left more room

for investments primarily in development and marketing activities during the year. Adjusting capacity, the portfolio and the way we work is a natural part of our business and will continue.

We had a strong operating cash flow in the fourth quarter and came close to reaching our goal of positive cash flow for the second half of the year. Continued focus on improved processes throughout the chain, from negotiations to project implementation, is essential in order to improve cash flow.

### **TRUST IS ONE OF OUR CORE VALUES**

We continued to work on a number of activities in 2014 to strengthen our compliance work, including the launch of a program to audit our marketing consultants. We also began updating our Code of Conduct with the intent of launching a special code for our suppliers and partners in 2015.

No company is isolated from its environment. We are all dependent on a well-functioning society in order to grow over time. By acting responsibly and sustainably in everything we do, we can gain the trust of customers, employees and our communities, which creates opportunities for increased growth and long-term development.

A long-term approach is of great importance to Saab and can be seen in everything we do. Many of our commitments extend over decades, and Saab has been creating value-added for nearly eighty years. Some of the development projects we are working on today will create jobs and growth for many decades to come.

Stockholm, February 2015

Håkan Buskhe  
President and CEO

## SAAB'S BUSINESS

# SAAB'S BROAD BASED OFFERING

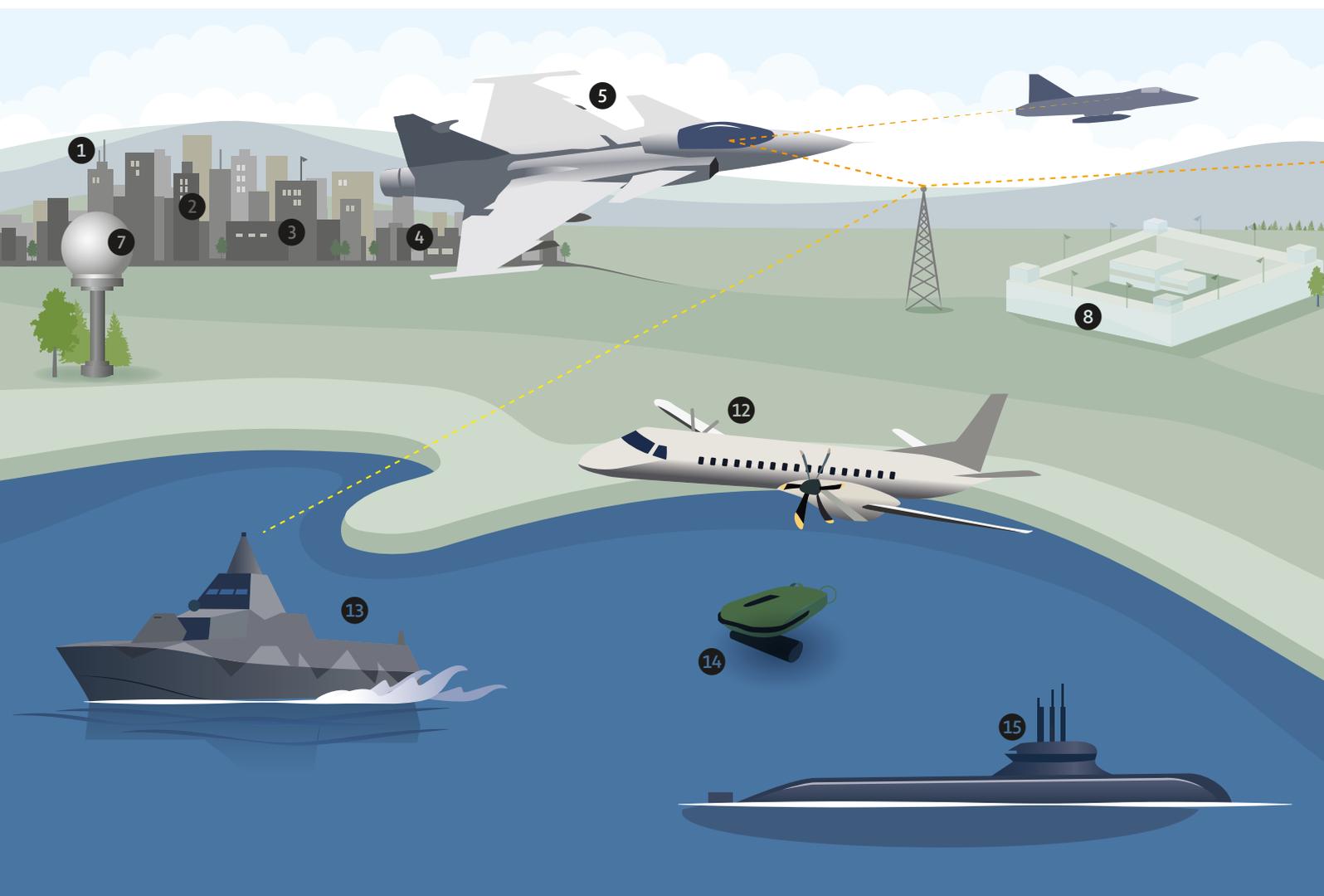
Saab contributes to a safer society through world-leading solutions, products and services for military defence and civil security. The broad offering covers a variety of societal functions and meets a number of different security needs.

In the military sector, Saab has leading positions in a number of segments on the ground, in the air and at sea. Examples include fighter aircraft and support weapons. Saab's civil security operations offer air and maritime traffic management systems as well as security solutions, including solutions for airports and prisons. In civil security, there are also solutions for ambulance services, field hospitals and underwater vehicles for the offshore oil and gas industry.

Saab is organised in six business areas based on

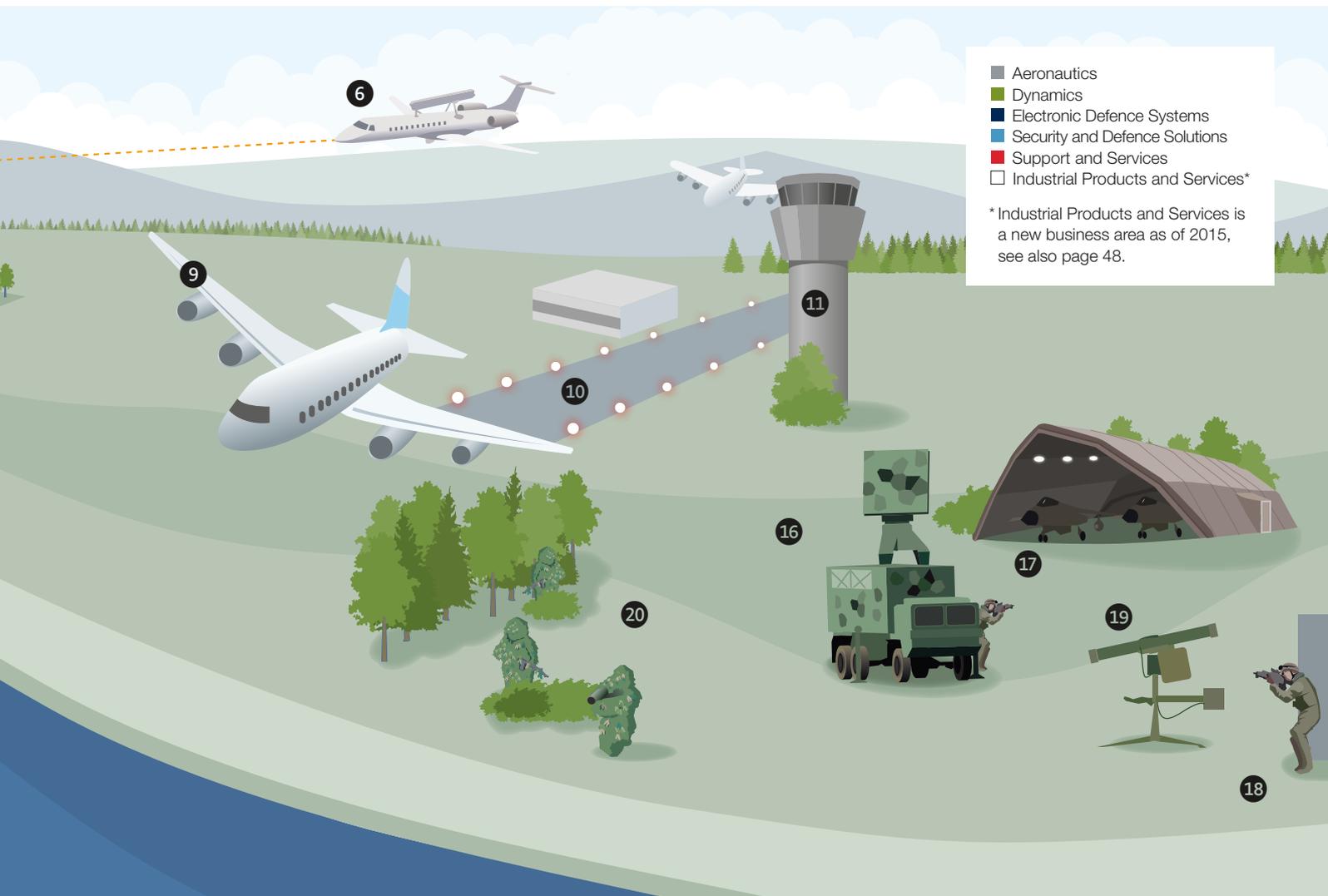
technologies and products, but customer offerings usually involves multiple business areas. Different parts of the Group also co-operate in research and development. In this way, the Group can have specialised offerings for each market segment and at the same time take advantage of synergies.

The offering is continuously refined and adapted to customers' current and future needs. This is why around a quarter of sales is invested in research and development.



**THE ILLUSTRATION BELOW SHOWS A SELECTION OF SAAB'S BROAD RANGE OF PRODUCTS AND SERVICES FOR CIVILIAN AND MILITARY USE.**

1. Technical consultancy. □
2. Research collaborations. ■■ ■■ ■■ ■■ ■■ □
3. Dispatch system for security companies. ■■
4. Protection against Chemical (C), Biological (B), Radioactive (R) or Nuclear (N) weapons (CBRN). ■■
5. The Gripen combat aircraft system. ■■ ■■ ■■ ■■
6. The Erieye airborne radar system. ■■
7. Systems for weather stations. ■■
8. Security systems for prisons. ■■
9. Subcontractor to manufacturers of commercial aircraft. □
10. Runway lighting for airports. ■■
11. Air traffic control towers, e.g. Remote Tower. ■■
12. Airborne surveillance systems. ■■
13. Naval vessels, e.g. Visby class corvette. ■■ ■■ ■■
14. Remotely operated underwater vehicles, e.g. Double Eagle for mine disposal. ■■
15. Development of next generation submarine, A26. ■■ ■■ ■■
16. Ground-based surveillance radar, e.g. Giraffe. ■■
17. Field hangars. ■■ ■■
18. Military training systems. ■■ ■■
19. Anti-aircraft missile systems, e.g. RBS 70. ■■
20. Camouflage equipment, e.g. Special Operations Tactical Suits (SOTACS). ■■



■■ Aeronautics  
 ■■ Dynamics  
 ■■ Electronic Defence Systems  
 ■■ Security and Defence Solutions  
 ■■ Support and Services  
 □ Industrial Products and Services\*

\*Industrial Products and Services is a new business area as of 2015, see also page 48.

# SAAB'S BUSINESS BUSINESS MODEL

Saab's market offering consists of complex systems involving a great deal of research and development, alongside high volume, repeat order businesses.

Saab's business model is adapted to the product area, system complexity, customer group and geographical market.

## COMPLEX DEFENCE ORDERS

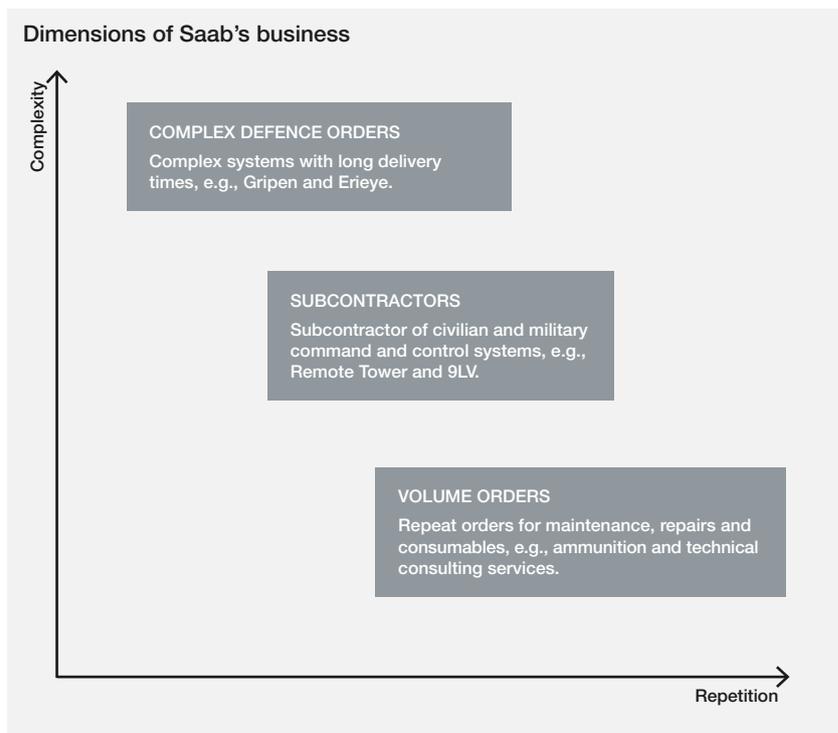
In complex defence orders, Saab directly supplies the customer. These comprehensive solutions, often also comprising training, maintenance, support and service, are designed to maintain functionality and cost efficiency over the product's entire life cycle. Deliveries can continue for several years after development. These systems are configured and designed based on each customer's specific needs and therefore often have a large share of customer-financed development. In addition, complex defence orders usually entail some form of industrial co-operation. One example is the development and delivery of Gripen.

## SUBCONTRACTOR

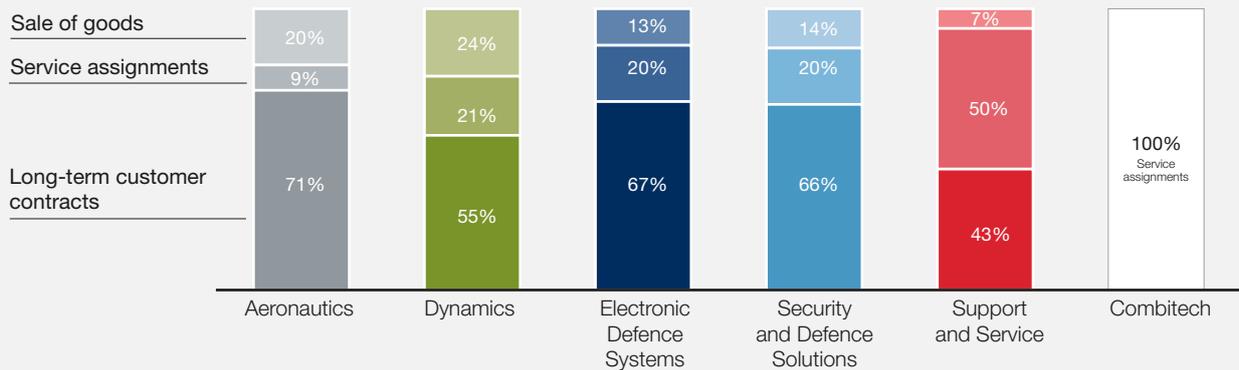
Saab can also serve as a subcontractor to a partner with primary contact with the end customer, e.g., when supplying subsystems. Several of Saab's systems, e.g., command and control systems, are platform dependent and can be integrated with Saab's or other companies' products and systems. Another reason for being a subcontractor can be that cost or other factors make it an effective strategy to build a presence in a market.

## VOLUME ORDERS

Maintenance, support and training can also be sold separately, outside large defence orders. Consumables and spare parts also fall into this category. These products and solutions are usually 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. Examples include most of Saab's civilian offering, as well as products sold in large volumes, such as ammunition.



## Sales distribution 2014



As of 2015, Combitech, Aerostructures (previously in Aeronautics), Avionics Systems (previously in Electronic Defence Systems) and Saab Ventures is included in the newly formed business area Industrial Products and Services; see page 48 as well as notes 1 and 3 for more information.

## REVENUE DISTRIBUTION

Saab's sales model is divided into three main parts: 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 sales, but, since Saab's business areas are divided by product and market offering, the distribution differs by business area. Aeronautics is dominated by long-term customer contracts, while Support and Services and Combitech have a higher share of service assignments. Due to the nature of the revenue, sales, income, and cash flow fluctuate over the course of the year.

Long-term customer contracts comprise the development and manufacture of complex systems. One example is FMV's order for the development and modification of Gripen E, which Saab will work on until 2026. Long-term contracts are continually recognised in revenue, meaning that income and expenses associated with the project are recognised at the rate of completion of the project. Cash flows from these contracts depend on the timing of deliveries, advances and milestone payments during the order period.

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

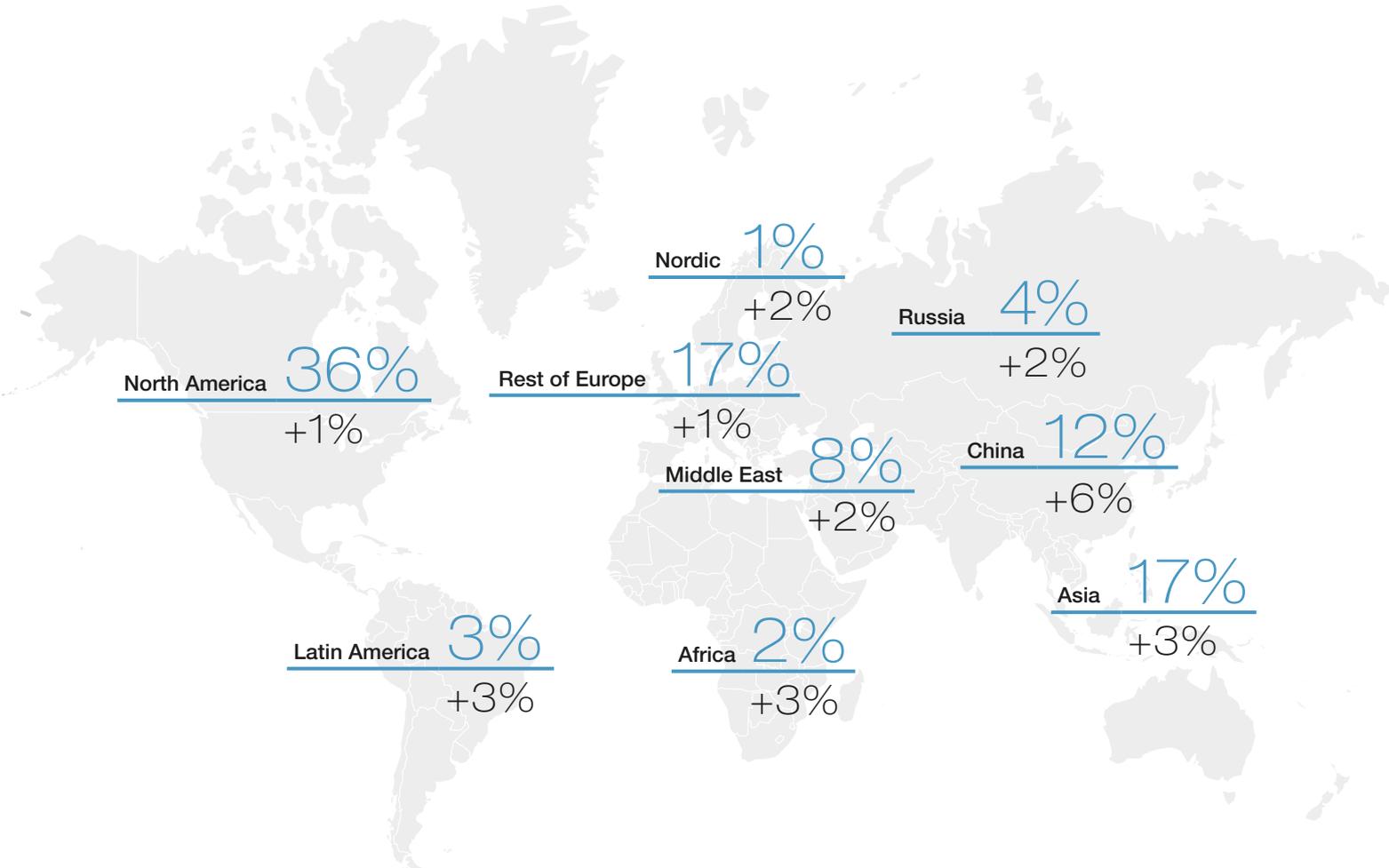
The third part of Saab's sales model is the sale of products and spare parts that Saab manufactures and stocks or purchases on behalf of customers. Sales are recognised when ownership has been transferred to the buyer. For more information, see notes 1 and 3.



One of Saab's aircraft mechanics working on a Gripen fighter.

## MARKET DESCRIPTION

After declining for a number of years, global defence spending is expected to rise going forward, mainly due to global economic growth, but also because of growing geopolitical turmoil. While North America has historically been the dominant market for defence materiel, a shift toward Asia is expected in coming years.



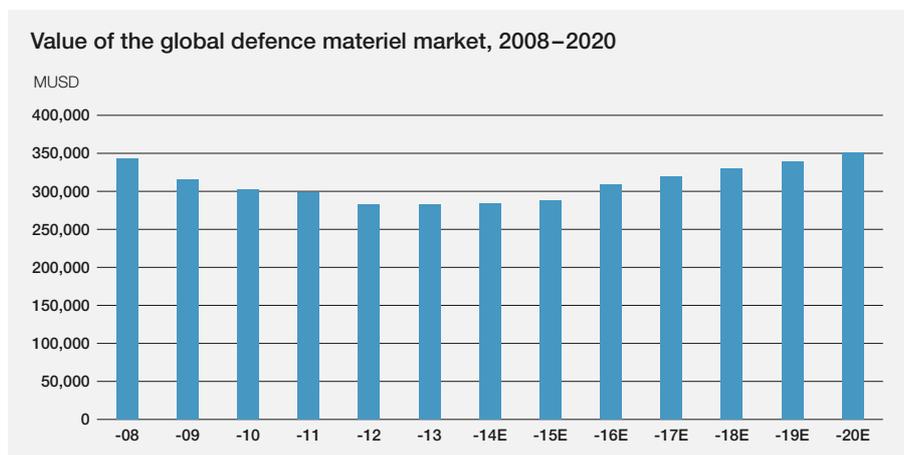
**Upper figure:** Estimated share of global defence materiel market 2016–2020  
**Lower figure:** Estimated average annual growth rate 2016–2020

Source: IHS Group, December 2014

In 2014, global defence spending rose for the first time since 2010. After a temporary slowdown in 2015, the global market is expected to grow by an annual average of 2 per cent between 2016 and 2020. Overall economic growth will be the main driver.

Growth is mainly expected in Asia, where China, India and the countries of Southeast Asia are driving the market. Europe is generating a slight growth, mainly driven by Poland and Turkey.

In the Middle East, growth has been high, but is slowing owing in part to falling oil prices. The fastest growth in recent years has been in Russia, but the growth rate there is expected to decline due to economic conditions in the country.



Source: IHS Group, December 2014

## MARKET DRIVERS

The most important drivers in Saab's markets are changing threat scenarios and new security needs in society. Defence spending has declined in the West in recent years, but is growing in other parts of the world. This increases the need for cost efficiency and the ability to respond to changing customer needs.

### **ADVANTAGE FOR COST EFFICIENT PRODUCTS**

After declining for a number of years, global defence spending bottomed out in 2014, with slight growth expected in coming years. The focus on maximising value and performance within the tighter budgets that have resulted from years of limited resources still persists. It has become essential to offer advanced products that are also cost efficient. This means not only a lower purchasing price, but that they are efficient to operate and maintain. Another important way to provide customers with cost efficiency is to design products for multiple purposes.

### **DEMAND FOR LOCAL PRESENCE**

At the same time that military spending is decreasing or stagnating in the West, it is increasing in other regions, such as Asia, the Middle East and Latin America. This is increasing competition in growth markets and making it that much more important to maintain a local presence in order to adapt the offer to customers' needs.

### **NEW COLLABORATIONS AND ALLIANCES REQUIRE SYSTEM INTEGRATION**

In a number of wars and conflicts in recent decades, the opposing sides have been multinational coalitions. When different forces operate together, their systems have to be coordinated and integrated. Demand is therefore rising for open systems and system integration.

### **INCREASED NEED TO SAFEGUARD AND IMPROVE EFFICIENCIES IN SUPPLY CHAINS**

Increasing flows of goods, energy, capital, people and information in a globalised world increase the need for security and efficiency. This means not only protecting strategic infrastructure against military threats and terrorism, but also safeguarding key functions, such as flows at major hubs. Flows of goods and resources are playing an increasingly prominent role in the security strategies of countries and organisations. Added to this is the need to safeguard critical systems from cyberattacks.

Saab estimates the value of the available global market for security and traffic management systems at SEK 50 billion.



### **LOCAL PRESENCE STRENGTHENS SAAB**

Saab established a new market area organisation in 2013 by moving a large part of the sales organisation that had been consolidated in Sweden to local offices in a number of key markets.

"A local presence has significantly raised the profile of Saab's brand and products and at the same time is a sign of our long-term commitment to the countries where we are active," says Manod Jinnuri, marketing manager for Saab in India. "By being closer to customers, we also see firsthand what they need."

With employees on site, Saab gains a better understanding of the market and local procurement processes, at the same time that in-house staff can make sure that deals comply with Saab's ethical guidelines.

"We see that the market area organisation is helping us to identify new business opportunities. This applies to both the number of opportunities and situations where we can offer a customised and, in some cases, broader range of products and services to the market," says Manod Jinnuri.



## MARKET MEGATRENDS

A long period of relative calm in the world may be coming to an end. Conflicts within and between nation states could become more common, while the influence of international institutions is on the wane. The way in which conflicts are fought is changing as well, largely driven by technological developments.

Over the long term, Saab and the rest of the defence industry as a whole are affected to a high degree by geopolitical and economic developments and their impact on the risk of conflict. A number of significant changes are now underway, two of which can be considered the most fundamental. The first is a change in global security systems. Secondly, there is a growing overlap between protecting borders and defending public services and therefore between the military and civilian sectors.

### GEOPOLITICAL SHIFT

The old world order was built on the idea that independent, sovereign and self-sustaining nation states would create a stable balance of power, with military might if needed. This idea dates back to the Peace of Westphalia in 1648. After World War II, it was thought that peace and prosperity could be created with the help of a new security philosophy based on shared principles. This was reflected in institutions such as the UN, and later the EU.

When the Cold War ended 25 years ago, it launched a period in which the US became the dominant power. The geopolitical and economic balance is now being disrupted as the Asia Pacific region, which lacks the security structures of NATO and the EU, grows stronger. This multipolar power structure could result in clashing interests that challenge the geopolitical calm. Internal pressures are driving nationalistic fervour in a number of countries and, in time, domestic conflicts and terrorism could lead to multinational conflicts.

### DEFEND BORDERS AND PROTECT PUBLIC SERVICES

The way conflicts are fought is largely driven by technology. The aim of traditional security policies is to defend borders, but there is also a growing



realisation that security has to include protecting public services such as supply chains, infrastructure and information. It also means that the defined line between military and civilian is gradually being erased.

National security means making a society robust enough to handle severe stress, at the same time ensuring that it has the capabilities to deter an attack. The basic idea is that in today's high-tech world, a country simply cannot be defended in the old way, with strong protection everywhere.

One consequence for the industry and Saab is that demands will change as the definition of the defence industry is broadened. A greater risk of conflict means a higher demand for protection and security, and companies in the defence industry have to show that they are capable of adapting.

## MARKET MARKET AREAS

The Group's market organisation is divided into five geographical market areas and is based on a strong local presence in a number of key markets. A reorganisation was implemented as of 2015 to adapt to changes in the market. Saab's market areas are now Nordic & Baltic, Europe, Middle East & Africa, North America, Latin America and Asia Pacific.



### NORDIC & BALTIC

Nordic & Baltic is Saab's largest market. In addition to the Nordic and Baltic countries, the market area includes Poland. The Swedish Armed Forces are an important reference for many international projects as well. Good relations with Swedish decision makers, civilian and military customers and authorities are critical to the business.

Defence spending in the region is declining. In 2014, the decrease was 4.1 per cent. However, forecasts point to increased defence budgets within a few years. Finland has appointed a working group for the procurement of new fighter jets and Norway is preparing to buy new submarines. The radar area also offers opportunities in coming years. The Baltic countries have to modernise some of their equipment, but have limited budgets. The market for civil security is growing in the region.

The acquisition of the Swedish shipyard ThyssenKrupp Marine Systems was finalised during the second quarter and strengthens Saab's position as a comprehensive supplier of naval systems.

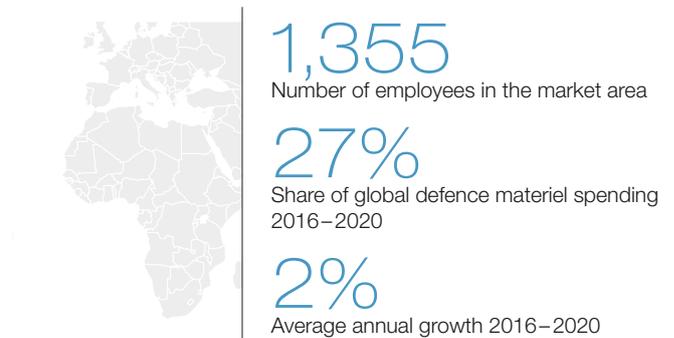
#### Order and sales trend

During the year, FMV ordered equipment, support and maintenance systems for Gripen E valued at approximately SEK 5.8 billion for the period 2013–2026. In Finland, the co-operation with the Finnish Armed Forces resulted in an order for military training systems. Saab also received an order from the Finnish military vehicle manufacturer Patria Land Systems Oy for electronics for the Patria AMV 8x8 vehicles being supplied to South Africa.

In 2014, Saab signed a letter of intent with FMV covering the Swedish Armed Forces' underwater capabilities for the period 2015–2024 and potential orders of approximately SEK 11.2 billion.

Saab also received an order from the South Korean shipyard Daewoo Shipbuilding & Marine Engineering relating to healthcare capabilities aboard a Norwegian Navy support vessel. The Norwegian Army placed an order for the development and manufacture of the next generation of vehicle simulators.

In addition, a five-year framework agreement was signed with Estonia, Latvia, Lithuania, Czech Republic and Poland to provide ammunition for the Carl-Gustaf weapon system.



### EUROPE, MIDDLE EAST & AFRICA

Europe is Saab's largest market outside the Nordic countries. Defence spending has decreased in recent years, mainly due to the economic slowdown. Although a turnaround is expected within a few years. Most countries in the region are downsizing their defence organisations, in order to afford to modernise their equipment. Russia is going against the grain and raising its defence spending in local currency. Saab does not sell defence materiel to Russia.

In the EU, there are growing demands for secure flows of goods and people and the protection of shifting borders. Multinational collaborations between defence industries are considered necessary to develop future high-tech defence solutions.

Defence spending in the Middle East rose by 7.8 per cent in 2014. Growth is expected to continue in coming years, but at a slower rate. Further progress was made during the year, mainly in surveillance, training and naval solutions.

Africa south of the Sahara accounts for an estimated 1.0 per cent of global defence spending. Budgets rose by 3.7 per cent in 2014, and growth is expected to remain strong for years to come.

Saab's operations in the region are concentrated in South Africa, with smaller operations in a number of other countries. For example, South Africa operates 26 Gripen. The market outlook is positive, especially in the security sector, including the police, coast guard and oil and gas industry.

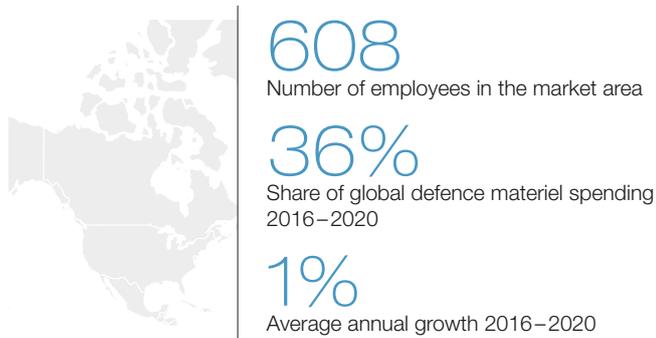
#### Order and sales trend

Saab's strong position in training and simulation, primarily in the UK, was consolidated through extended support contracts for several military training centres. Radar still accounts for a significant share of the Group's sales in the UK. Saab also received a major order for new versions of the AT4 support weapon system from the French Armed Forces.

In Central and Eastern Europe, demand for Gripen remained strong among current users. The extended lease between Czech Republic and Sweden was an important milestone. Slovakia, the Czech Republic and Sweden signed a declaration of intent on joint airspace surveillance of Slovakia and Czech Republic that will pave the way for Gripen to become part of the Slovakian Air Force.

# MARKET

## MARKET AREAS



### NORTH AMERICA

The US and Canada accounted for about 37 per cent of global defence spending in 2014, but budgets were reduced by 1.0 per cent during the year. The decrease is expected to continue for another year before spending levels off.

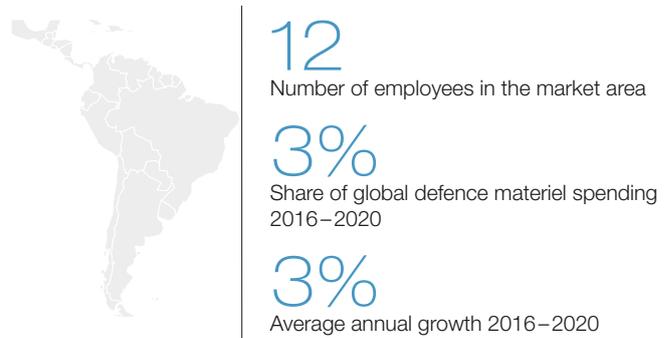
Saab and Boeing continued to jointly develop an advanced training aircraft, with the goal of participating in the US Air Force's upcoming T-X programme.

#### Order and sales trend

Among other things, Saab signed a new, five-year framework contract during the year with the U.S. Special Operations Command (SOCOM) for the Carl-Gustaf weapon system, for a total value of up to about SEK 1.3 billion. Carl-Gustaf was named a Program of Record by the U.S. Army, which means that it could become standard equipment for the U.S. Army's light infantry.

Saab was also awarded a contract for a Water Borne Improvised Explosive Device Remotely Operated Vehicle in co-operation with the U.S. Underwater Hazardous Device Team.

In Canada, Saab received orders for processors and displays for Textron's Tactical Armoured Patrol Vehicle (TAPV), as well as a support contract to modernise a number of Halifax class frigates.



### LATIN AMERICA

Defence spending in Latin America has grown in recent years. In 2014, the increase was 3.2 per cent, and growth is expected to continue in the years ahead. Brazil, which accounts for about half of the region's defence spending, has an ambition and the resources to develop a diversified defence industry.

Saab's commitment to the Swedish Brazilian Innovation & Research Center (CISB) continued in 2014. Among other things, around ten Brazilian researchers have been working at Swedish universities under the auspices of CISB.

#### Order and sales trend

In October 2014, a contract was signed with the Brazilian government (through the Aeronautics Command, COMAER) covering the development and production of 36 Gripen NG fighters for the Brazilian Air Force. The total order value is approximately SEK 39.3 billion. Saab and COMAER have also signed an industrial co-operation contract to deliver substantial technology transfers to Brazilian industry. The agreement will take effect when certain criteria are met, which is expected in the first half of 2015, at which point Saab will recognise the order. In March 2014, the Brazilian Army ordered man-portable launchers, missiles and associated equipment for the RBS 70 VSHORAD very short range air defence system.



# MARKET

## MARKET AREAS



411

Number of employees in the market area

17%

Share of global defence materiel spending 2016–2020

3%

Average annual growth 2016–2020

### ASIA PACIFIC

Defence spending increased by 3.2 per cent in the region in 2014. Growth is expected to continue, primarily driven by China, which alone accounts for nearly half of the region's defence expenditures. Some parts of the Asian market are not accessible for Saab for political reasons.

Australia and Thailand are important markets for the Group. In Australia, Saab has had a local presence for several years mainly in command and control systems. Saab's Advanced Maritime Systems Centre in Adelaide, which brings together all the resources which have made Saab Australia a world leader in naval combat systems, was opened during the year. Thailand operates 12 Gripen and also Saab Erieye Airborne Early Warning & Control Systems.

Saab has been active in India for some time and has mainly supplied ground combat equipment, as well as other defence products and solutions. Among other things, Saab has been successful in the



The Thai Air Force has operated Gripen since 2011.

electronic warfare sector. India is in the midst of two bidding processes for an air defence system, in which Saab is offering comprehensive solutions containing firing units, missiles, radar, and command and control.

#### *Order and sales trend*

In the civilian market, Saab received an order during the year for Advanced – Surface Movement Guidance & Control Systems (A-SMGCS) for five Indian airports, as well as an order for two surface movement radars and related services for Changi Airport in Singapore. In addition, an order was received from the government of Hong Kong Special Administrative Region to renew the existing Hong Kong Vessel Traffic Services System. Saab also signed a contract to provide the corrective maintenance and capital expenditure for the electronic security system for the Southern Queensland Correctional Centre in Australia.



## MARKET

### CASE: GRIPEN AROUND THE WORLD

Saab has a strong position on the global market. In 2013 Sweden ordered 60 Gripen E and in 2014 a contract to supply the next generation Gripen to Brazil was signed. Gripen now has an established position as a technologically advanced, flexible and cost efficient combat aircraft system.



#### CONTINUOUS DEVELOPMENT

Gripen is continuously evolving through new generations and upgrades of existing aircraft. The entire system is designed to easily accommodate performance improvements and new functions. Due to the high level of computerisation on board, most of the upgrades are to the aircraft's many computer systems. New functions can quickly be added through software patches.

Gripen is modularly designed and can be flexibly adapted to different needs. The design also facilitates industrial co-operations and the manufacture of certain subsystems in customer countries.

#### COST EFFICIENCY

One effect of shrinking defence spending in many countries in recent years is an increased interest in cost efficiency. This benefits Gripen, which combines advanced technology and high performance with low operating costs.

The total cost of an aircraft includes both the purchase price and the operating costs during its lifetime. Gripen has a low life cycle cost and a low cost per flight hour compared to its competitors. Reliability is a key.

Gripen is also easy to maintain and repair. The aircraft can be readied in just ten minutes, with full weaponry and fuel, by six mechanics. An engine can be replaced in less than an hour. This is one reason why operating costs are far below the competition. These features are also a major tactical advantage for users.



#### FLEXIBILITY

Gripen is a true multi-role fighter. With the push of a button, the pilot can quickly change the aircraft's roles. Whereas other types of aircraft have to be prepared for their mission while still on the ground, Gripen can switch in the air. This flexibility is an important advantage in combat. Having one aircraft that can carry out different missions also increases cost efficiency.

#### COMPATIBILITY

The Gripen system is designed to take part in international missions with other countries and is fully compatible with NATO's systems. The latest versions are even more globally interoperable.



### INFORMATION SYSTEMS

Knowledge is critical in combat situations. Gripen is equipped with advanced sensors and electronic warfare systems, enabling it to detect, identify and disrupt various threats as well as protect the aircraft against attack. The aim is to know as much as possible about the enemy while revealing as little information as possible.

Gripen's signal intelligence and self-protection systems are designed for future threat scenarios and are based on highly advanced signal processing and active sensors such as AESA radar.

### WEAPON SYSTEMS

Gripen has weapons for all types of missions, from guided glide bombs to long-distance missiles.

### TRAINING

Saab offers training systems and simulators to train fighter pilots and service personnel.

### GRIPEN IS FLOWN HERE

Gripen is currently operated by the air forces in Sweden, South Africa, Thailand, Czech Republic and Hungary, as well as the Empire Test Pilots' School (ETPS) in the UK. In 2014, a contract was signed to develop and produce 36 of the next generation Gripen for the Brazilian Air Force.



SWEDISH AIR FORCE



SOUTH AFRICAN AIR FORCE



HUNGARIAN AIR FORCE



CZECH AIR FORCE



ETPS UK



ROYAL THAI AIR FORCE

# MARKET

## SAAB'S OFFERING

Saab's offering targets five market segments: Air, Land, Naval, Civil security and Commercial aeronautics. Products and solutions are often developed and supplied jointly by several of the Group's business areas. In this way, the Group can offer specialised solutions for each market segment as well as broad, comprehensive solutions. The product portfolio is continuously refined and adapted to customer needs. Saab invests around one fourth of sales in research and development.



The Ceros 200 fire control director is used on naval ships to detect, track and control firing against incoming threats. The system is based on radar and optical tracking technology, which makes it highly accurate regardless of weather conditions.

### Sales by market segment and business area

Business areas	Market segment						Sales, MSEK
	Air	Land	Naval	Civil security	Commercial aeronautics	Other*	
Aeronautics**							6,720
Dynamics							2,974
Electronic Defence Systems**							4,629
Security and Defence Solutions							5,762
Support and Services							3,570
Combitech**							1,649
Sales, MSEK	10,481	5,240	3,192	2,330	1,838	446	23,527

\* Other includes sales attributable to civil telecommunications and other industry.

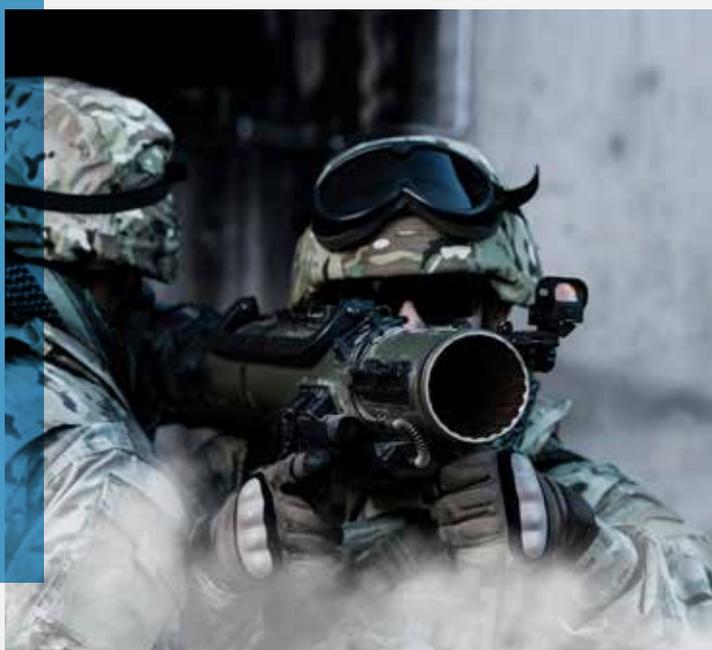
\*\* As of 2015, Combitech, Aerostructures (previously in Aeronautics), Avionics Systems (previously in Electronic Defence Systems) and Saab Ventures are included in business area Industrial Products and Services; see page 48.

### CARL-GUSTAF WEAPON SYSTEM

A new, lighter version of the man-portable anti-tank Carl-Gustaf, M4, was launched during the year. The new generation offers great flexibility, since it weighs less than 7 kg and is compatible with all existing and future ammunition. A new type of ammunition, HEAT 655 CS, was also launched to enable soldiers to use the weapon safely in confined spaces such as inside buildings, further increasing its flexibility.

Carl-Gustaf was named a Program of Record by the U.S. Army during the year. This means that the weapon system, which has long been used by US Special Forces, could now become standard equipment for the U.S. Army's light infantry. Saab also signed a new framework contract for Carl-Gustaf with the U.S. Special Operations Command (SOCOM), which can order weapons and ammunition over a five-year contract period for up to about SEK 1.3 billion.

The multi-purpose weapon, which is fired from the shoulder, is used in more than 40 countries around the world. Saab is working continuously to make it even better in order to meet future operational needs. Further developments include programmable ammunition and advanced sights.



# MARKET

## SAAB'S OFFERING

### AIR

The best-known product in the market segment is the combat aircraft system Gripen, which is currently used by six customers. Gripen is a competitive system that can easily integrate new weapons and sensors.

Saab also offers the Erieye airborne surveillance system, unmanned aerial systems, countermeasures and electronic warfare, avionics, weapon systems, sensors, training, service and support.

A contract was signed with the Brazilian government during the year on the development and production of 36 of the next generation Gripen.

# 45%

SHARE OF GROUP SALES 2014



Gripen regularly trains with other countries' air forces. Aerial refuelling is one way to increase range on international missions.



Mounted on the roof of an off-road vehicle, Saab's warning system can detect Chemical, Biological, Radioactive and Nuclear threats (CBRN).

### LAND

Saab has leading positions in many segments and offers, among other things, tactical weapon systems, sophisticated surveillance and command and control systems, and solutions for troop protection. The offering also includes sensors, radar, signals intelligence and self-protection systems, camouflage technology, reconnaissance and air defence systems, training and logistics solutions and support weapons, such as the Carl-Gustaf.

# 22%

SHARE OF GROUP SALES 2014

# MARKET

## SAAB'S OFFERING

### NAVAL

Saab has a strong position in radar and early warning, command and control, and communication systems, tactical weapons for submarines and surface vessels, and unmanned underwater systems. The Group's naval offering was expanded in 2014 through the acquisition of Saab Kockums (see page 31).

# 14%

SHARE OF GROUP SALES 2014



Saab Kockums manufactures the Gotland class submarines used by the Swedish Navy.



Paratus is a mobile information system for police and emergency services.

### CIVIL SECURITY

Saab's civil security offering includes air and maritime traffic management, security solutions for airports, prisons and emergency services and underwater vehicles for the offshore industry.

# 10%

SHARE OF GROUP SALES 2014

### COMMERCIAL AERONAUTICS

Saab is a subcontractor to leading international aircraft manufacturers such as Boeing and Airbus, supplying cargo doors, wing spars and avionics, system integration and support and maintenance solutions for a number of different aircraft types.

# 8%

SHARE OF GROUP SALES 2014



Saab provides maintenance for the more than 300 self-manufactured Saab 340 and Saab 2000 aircraft in operation around the world.

# MARKET PRODUCT AREAS

## SAAB'S LARGEST PRODUCT AREAS

Saab has a number of large product areas where increased sales or better operating margins have a significant effect on the Group. They are summarised below. Although the majority of R&D is in these large product areas, investments are also made in a number of other product areas with market potential.

### Airborne Early Warning & Control Systems

– Airborne radar system with extended reach

**Airborne ISR** – Airborne surveillance system for land and sea

**Aircraft Support Solutions** – Maintenance solutions and complete support concepts for aircraft and helicopters

### Airframe assemblies and integrated systems

– Doors and avionics, among other things, for commercial aircraft manufacturers

### Critical Systems & Communication Solutions

– Critical systems for civil security and communication, for example for prisons, emergency services and coast guards

**Combat Systems & C4I Solutions** – Combat systems and command and control and surveillance solutions for military applications

**Gripen** – Combat aircraft system

**Ground Combat Weapon Systems** – Weapons for ground combat

**Maintenance, Repair & Overhaul** – Maintenance and repair of components, spare parts and electronics as well as vehicle, aircraft and platform overhauls

**Saab Kockums** – Develops, builds and maintains submarines and surface ships

**Self-Protection Systems** – Signals intelligence and self-protection systems designed to identify, disrupt and protect against various types of threats

**Surface Based Radar Systems** – With surveillance and air defence capabilities

**Technical Consultancy** – For military and civilian industries

**Traffic management** – For airports, ports and coasts

**Training & Simulation** – Military training centres and combat simulation

**Underwater** – Unmanned underwater vehicles for military and civilian applications as well as torpedoes and underwater sensors

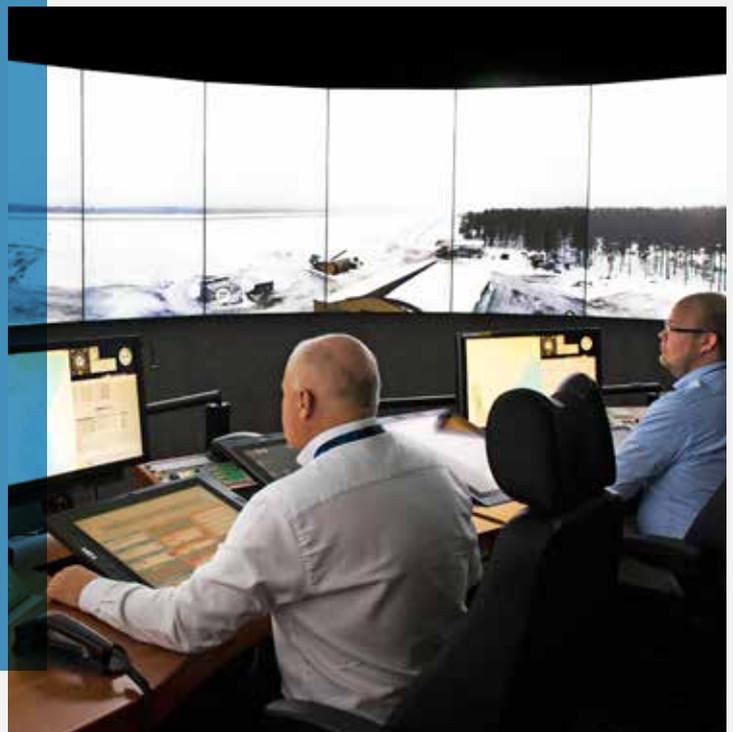
## REMOTE TOWER

LFV received approval from the Swedish Transport Agency in 2014 to remotely operate Örnköldsvik Airport from Sundsvall using Saab's Remote Tower (RT). This made Örnköldsvik the world's first RT airport. The decision proves that the concept and technology meet the aviation industry's and government's traffic management requirements.

The RT system uses cameras, microphones and other sensors to re-create the environment where the air traffic controller would normally be, i.e., the local control tower. The information is sent in real time to the air traffic centre in Sundsvall, 150 km away, where air traffic controllers have full control over sensors, lighting, flight data and other tools in the same way they would if they were on site.

RT combines new and existing technology with approved processes in a new application. The system meets all air traffic safety regulations and leads to increased safety, higher efficiency and lower costs. RT's approval for use in Örnköldsvik is expected to pave the way for other air traffic services and aviation authorities around the world to follow suit and seek approval for remotely controlled traffic management.

The system, which is continuously updated with security-enhancing functionality, is seeing great interest in markets around the world.



## SAAB'S MARKET

### CASE: SAAB IN BRAZIL



The Brazilian Air Force's negotiating team visiting Gripen production in Sweden.

Saab has been active in Brazil since the 1950s and, in October 2014, signed a contract with the Brazilian government on the development and production of the next generation Gripen for the Brazilian Air Force.

The contract further strengthens Gripen's position in the global market as a cost efficient combat aircraft system. Its relatively low lifecycle cost, combined with Gripen's capabilities and the opportunity for technology transfers, proved decisive in the negotiations.

Deliveries are scheduled for 2019–2024 and the initial order value is approximately SEK 39.3 billion. The agreement will take effect when certain criteria are met, which is expected in the first half of 2015, at which point Saab will recognise the order.

#### LONG-TERM INDUSTRIAL CO-OPERATION

Agreements on industrial co-operations with significant technology transfers are common in major defence orders. In this case, Brazilian industry will play an important role in the development process and will be responsible for the manufacture of the two-seater version of Gripen NG for the Brazilian Air Force. Moreover, Saab was a founder the Swedish Brazilian Innovation & Research Center (CISB), which was established 2011 and will now be further expanded. Saab is a member of CISB along with a number of other Swedish and Brazilian companies, government authorities and universities. In addition to research collaborations, CISB's activities include a scholarship program at Swedish universities.

Industrial co-operations help to build skills and stimulate growth in the buying country, but also have a positive effect for Saab, which comes into contact with new companies and forms partnerships that can result in new products and open up new markets. The co-operations also support Saab's strategy to be more local and come closer to customers, to the benefit of all the parties involved.

Saab has 30 years of experience with industrial co-operations and is able to build trust by pointing to previous successful collaborations that have produced positive long-term results.

#### LONG HISTORY IN BRAZIL

Saab's and Sweden's industrial history in Brazil contributes to this trust. Saab has been active in the country for nearly 70 years, including in commercial aviation and surveillance systems. Several large Swedish industrial companies have operated in the country for years. São Paulo, where SKF, Ericsson and Scania, among others, have plants, is often called "Sweden's largest industrial city".

Though important in itself, the Gripen order from Brazil will also play a vital role as a platform for new business. The deal has already greatly raised Saab's profile in Latin America, increasing opportunities for new orders in the region for Gripen as well as other parts of Saab's broad product range.



## GOALS

# SAAB'S FINANCIAL GOALS

The long-term financial goals as of 2011 consist of goals for organic sales growth, operating margin (EBIT) and equity/assets ratio. Saab has a long-term dividend goal as well.

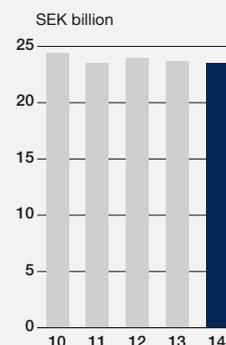
### SALES

Average organic sales growth of 5 per cent per year over a business cycle. In 2014, organic sales declined by -3 per cent (-2).

### RESULT:

The sales level has been stable for several years, while growth has been limited by budget constraints in the defence and security market. Business area Dynamics has seen a significant decline, while business area Security and Defence Solutions is growing. The increased order backlog should lead to a future sales increase.

Sales, 2010–2014



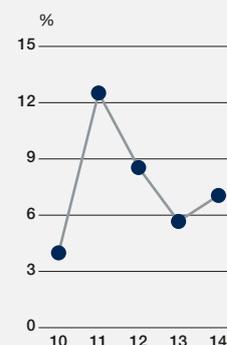
### OPERATING MARGIN

Average operating margin (EBIT) of at least 10 per cent per year over a business cycle. In 2014, the operating margin (EBIT) was 7.1 per cent (5.7).

### RESULT:

In recent years, the market situation has been challenging with significant price pressure, not least in civil security. The efficiency measures Saab launched in 2013 have led to MSEK 500 in efficiency improvements. Saab has improved its competitive strength, increased R&D investments and raised the operating margin in certain areas. Saab's view on capitalising development costs since 2009 has a negative effect on the operating margin, since development costs are recognised directly in profit or loss, at the same time that previously capitalised development costs are amortised faster than before.

Operating margin, 2010–2014



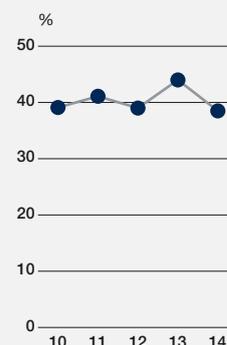
### EQUITY/ASSETS RATIO

The equity/assets ratio will exceed 30 per cent. At year-end 2014, the equity/assets ratio was 38.5 per cent (44.0).

### RESULT:

Saab's equity/assets ratio has consistently exceeded the Group's goal for many years. In 2014, the equity/assets ratio fell to 38.5 per cent due to increased funding during the year.

Equity/assets ratio, 2010–2014



### 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 2014, the Board of Directors proposes a dividend of SEK 4.75 per share (4.50), corresponding to 43 per cent (65) of net income.

# 4.75

# THE SAAB SHARE

## SHARE CAPITAL AND NUMBER OF SHARES

Saab's share capital amounted to SEK 1,746,405,504 on 31 December 2014, 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 2014

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	103,592,857 <sup>1)</sup>	84.5
<b>Total</b>	<b>109,150,344</b>	<b>100.0</b>	<b>122,664,087</b>	<b>100.0</b>

<sup>1)</sup> Number of shares excludes 3,650,364 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: SIS Ägarservice

## OWNERSHIP STRUCTURE

Saab had 33,732 shareholders (30,352) at year-end 2014. Swedish investors accounted for 81.7 per cent (76.9) of the capital stock and 83.7 per cent (79.6) of the votes.

### Saab's largest shareholders 30 December 2014

Owner	Number of shares	% of share capital	% of votes <sup>1)</sup>
Investor AB, Sweden	32,778,098	30.0	40.7
Wallenberg foundations, Sweden	9,468,700	8.7	7.7
Swedbank Robur Funds, Sweden	6,366,372	5.8	5.2
AFA Insurance, Sweden	5,384,970	4.9	4.4
Unionen, Sweden	2,900,828	2.7	2.4
SHB Funds, Sweden	2,615,365	2.4	2.1
Nordea Funds, Sweden	1,504,257	1.4	1.2
Odey Funds, UK	1,469,231	1.3	1.2
First AP Fund, Sweden	1,458,947	1.3	1.2
SEB Funds, Sweden	1,437,934	1.3	1.2
DFA Funds, US	1,212,269	1.1	1.0
Norwegian Bank Investment Management, Norway	1,155,734	1.1	0.9
Svolder AB, Sweden	978,000	0.9	0.8
Fourth AP Fund, Sweden	968,242	0.9	0.8
Lannebo Funds, Sweden	950,100	0.9	0.8
Foundation Asset Management, Sweden	926,853	0.8	0.8
RAM One Fund, Sweden	800,000	0.7	0.7
Lazard Frères Gestion Funds, France	781,150	0.7	0.6
Fidelity Funds, USA	457,851	0.4	0.4
AMF Insurance & Funds, Sweden	413,126	0.4	0.3
<b>Subtotal, 20 largest shareholders</b>	<b>74,028,027</b>	<b>67.7</b>	<b>74.4</b>
Other Swedish shareholders	16,557,746	15.3	13.4
Other international shareholders	14,914,207	13.7	12.2
Repurchased shares	3,650,364	3.3	-
<b>Total</b>	<b>109,150,344</b>	<b>100</b>	<b>100</b>

<sup>1)</sup> Per cent of votes is calculated based on the number of shares, excluding Treasury shares, at year-end.

Source: SIS Ägarservice

## Distribution of shareholders, 30 December 2014

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of share capital
1–500	28,167	83.5	3,366,940	3.1
501–1,000	3,040	9.0	2,354,451	2.2
1,001–5,000	2,134	6.3	4,046,323	3.7
5,001–10,000	139	0.4	1,007,878	0.9
10,001–20,000	78	0.2	1,143,325	1.0
20,001–50,000	57	0.2	1,895,414	1.7
50,001–	117	0.4	95,336,013	87.4
<b>Total <sup>1)</sup></b>	<b>33,732</b>	<b>100.0</b>	<b>109,150,344</b>	<b>100.0</b>

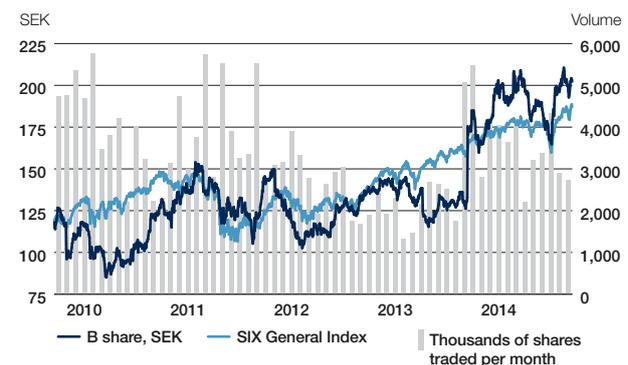
<sup>1)</sup> Including 3,650,364 repurchased Series B shares.

Source: SIS Ägarservice

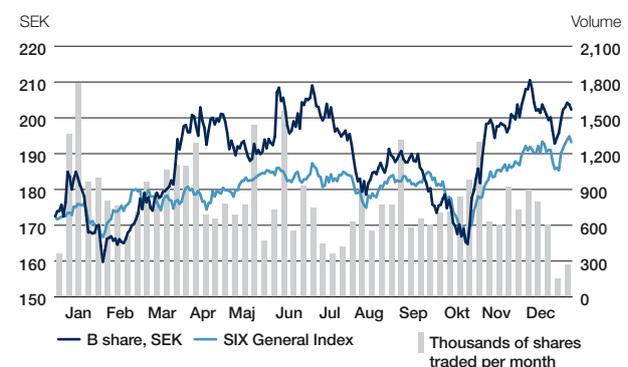
## TRADING VOLUME AND STATISTICS

A total of 42,935,663 of Saab's Series B shares (28,169,862) were traded on Nasdaq Stockholm in 2014, or about 76 per cent of Saab's traded Series B shares. In 2014, about 17 per cent of Saab's Series B shares were traded on Chi-X, about 4 per cent on Turquoise, about 3 per cent on BATS and about 0.2 per cent on Burgundy. The share price reached a high of SEK 212.30 on 27 November 2014 and a low of SEK 157.00 on 13 February 2014 in Nasdaq Stockholm trading.

### Saab B, 1 January 2010–31 December 2014



### Saab B, 1 January 2014–31 December 2014



# 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 8 April 2014 resolved in accordance with the Board's proposal to adopt a long-term incentive programme 2014 (LTI 2014), consisting of a Share Matching Plan 2014 and a Performance Share Plan 2014. Share Matching Plan 2014 is unchanged from previous years' programmes. Performance Share Plan 2014 was modified to attract and retain talented employees on competitive terms as well as to better reflect Saab's business strategy and financial targets.

For more information on the incentive programme, see pages 64–65 of the Administration Report.

## AUTHORISATION

The Annual General Meeting 2014 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 2014, mainly social security costs. Repurchases may be effected on Nasdaq Stockholm. On 5 June 2014, Saab announced that the Board of Directors had decided to exercise this authorisation and during the period 21 July to 17 September 2014

purchased a total of 1,340,000 Series B shares on Nasdaq Stockholm at a total cost of MSEK 252.

Furthermore, the Annual General Meeting 2014 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 2014, the Board of Directors has not made any decisions regarding exercise of this repurchase mandate.

Both repurchase mandates apply until the Annual General Meeting 2015.

## 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 2014, the Board of Directors proposes a dividend of SEK 4.75 per share (4.50), corresponding to 43 per cent (65) of net income.

## FIVE-YEAR SUMMARY

For information on data per share, see [www.saabgroup.com](http://www.saabgroup.com).

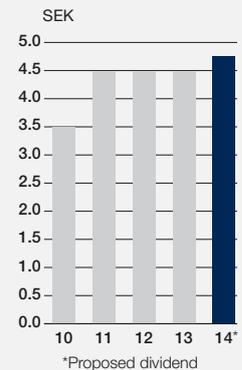
## ANALYSTS WHO COVER SAAB

For information on analysts who cover Saab, see [www.saabgroup.com](http://www.saabgroup.com).

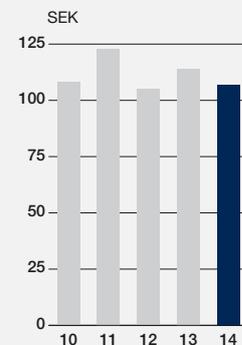
# 4,400

of Saab's employees joined the Saab Share Matching Plan 2014.

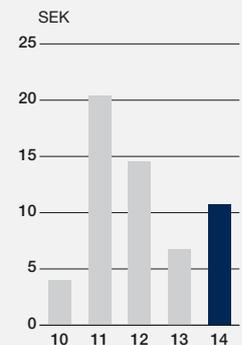
## Dividend per share



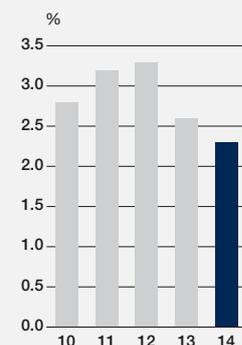
## Equity per share



## Earnings per share after dilution



## Yield at year-end



## INVESTOR RELATIONS

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

# STRATEGY

## FOUR PRIORITY AREAS

To achieve its financial goals, the Group continued in 2014 to strengthen its presence in key markets, develop innovative solutions and acquire companies in priority areas, implement a comprehensive efficiency program and continuously develop leaders and employees.

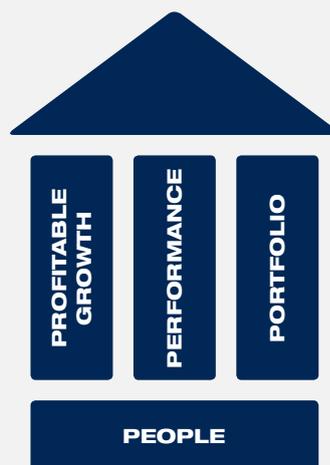
### SAAB'S STRATEGY IS BASED ON FOUR PRIORITY AREAS:

**Profitable growth** – Focus on product areas with good potential and a market area organisation with a strong local presence in key markets.

**Performance** – Continuously improve efficiencies in every part of the Group.

**Portfolio** – Concentrate product innovation and strategic acquisitions in priority areas.

**People** – Develop leaders and employees and continue to build a culture that promotes performance, commitment and diversity.





Saab will achieve profitable long-term growth by developing innovative, high-tech, cost efficient solutions while at the same time strengthening customer relationships through a local presence in key markets. High order bookings during 2013 and 2014 raised the order backlog to a record level and created a foundation for future sales growth. The contracts extend over many years, however, and the majority of the order backlog applies to 2018 and later.

**ACTIVITIES DURING THE YEAR**

Order bookings decreased by 55 per cent to SEK 22.6 billion during the year. The decrease is mainly because Saab received development orders in 2013 related to Gripen E for Sweden. In 2014, Saab signed a contract with the Brazilian government on the development and production of 36 next generation Gripen. Deliveries are planned for 2019-2024 and the order value is approximately SEK 39.3 billion. The contract enters into force when certain criteria are met, which is expected in the first half of 2015, at which point Saab will recognise the order.

Saab also received a number of other important orders, including to generate construction and production plans for Sweden's next generation submarines and for support and maintenance systems for Gripen E from FMV as well as orders for military training systems from Finland and the UK.

The decrease in order bookings should be seen in light of the record-high Gripen orders in 2013, which were significantly higher than the preceding years. The contracts extend over many years, however, and the majority of the order backlog applies to 2018 and later.

Total sales decreased by 1 per cent compared to 2013. Acquisitions and the deconsolidation of Saab Grintek Defence (Pty) Ltd. had a positive impact on sales by 2 per cent, while currency effects had no material impact on sales. Saab's goal is to grow organically by 5 per cent per year over a business cycle.

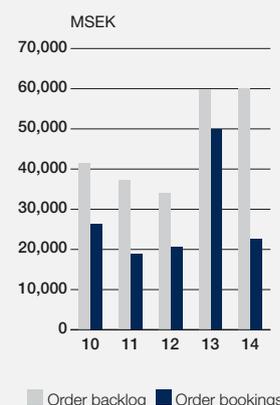
The operating margin was 7.1 per cent (5.7). Excluding material non-recurring items, the operating margin was 6.7 per cent (6.6). The goal is an operating margin of 10 per cent.

**PRIORITIES GOING FORWARD**

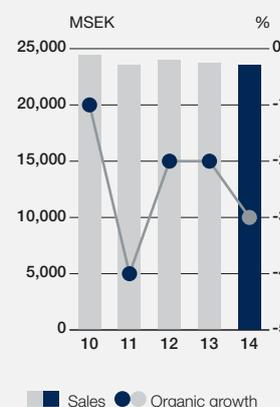
To remain successful and achieve the long-term goals in terms of growth and profitability, activities are focused on a number of areas.

- R&D investments are concentrated in the largest and strategically most important product areas. In addition to Gripen, this includes radar and the development of the next generation submarine.
- Orders from Sweden and Brazil for the next generation Gripen in 2013 and 2014 were important milestones. They also provide an excellent foundation to market the Gripen system to more countries and further develop the fighter. The development of Gripen E continued according to plan in 2014.
- Sweden alongside the rest of the Nordic region is an important base for Saab. Future growth, however, will primarily be in other markets. This is supported by a market area organisation with a strong local presence in key markets. The purpose of the organisation is to quickly pick up on trends and adapt the portfolio and offering to the market as well as to increase the number of small and medium-sized orders.
- Demands are increasing from many new customers to include industrial co-operations in major deals. Technology transfers are therefore a key component to succeed in many rapidly growing markets. Saab has extensive experience with successful technology transfers and industrial co-operation programmes.
- In addition, a continued evaluation of acquisitions is underway in areas that complement the product portfolio and in priority geographical markets.
- Saab continues to promote openness, transparency and responsible business based on the Saab Code of Conduct.

**A growing order backlog supports growth**



**Sales and organic growth**





Saab's long-term profitability goal is an average operating margin of 10 per cent over a business cycle. To achieve this goal, the organisation must be underpinned by a business culture focused on efficiency.

Saab continues to streamline its operations to create uniform business processes and achieve its strategic goals. At year-end 2014, the Group had reached its planned efficiencies of approximately MSEK 500.

### ACTIVITIES DURING THE YEAR

Efficiency improvements initiated in 2013 continued to have an impact in 2014. All business areas and Group functions were affected and improvements were made in the form of capacity adjustments due to declining volumes, clearer prioritisation of product development and process development, to reduce development, production and indirect expenses.

Saab continued during the year to implement Group-wide processes in the market area organisation. As a result, underlying marketing and selling expenses decreased, while expenses for the major Gripen campaigns in Brazil and Switzerland were charged against earnings in 2014.

In 2014, clearer profit responsibility was introduced for the managements of various business units within the business areas. This is in keeping with Saab's performance management strategy, which is an important part of the performance-oriented culture, where the connection between each employee's individual development plan and of the company's business plan is clearly spelled out.

The effects of the personnel reductions initiated in 2013 became evident in 2014. In total, the number of employees and external consultants had been reduced by about 950 at year-end 2014 compared to the beginning of 2013. The Group's total number of employees increased, however, due to the acquisition of Saab Kockums.

The gross margin decreased to 25.8 per cent (26.6), mainly due to a change in the product and project mix, where a larger share of customer-financed research and development is included in production expenses. Reported administrative expenses increased and corresponded to about 5.2 per cent (4.7) of sales. Marketing expenses

increased slightly and corresponded to about 9.1 per cent (8.8) of sales. The operating margin was 7.1 per cent (5.7).

### PRIORITIES GOING FORWARD

Saab will continue to improve efficiencies and create uniform global processes for procurement, sales, products and quality. The efficiency measures affect all operations, from research and development to sales.

The focus is on further improving cash flow, including through efficient cash collection, payment terms and efficient project execution.

The aim is also to further improve the Group's performance management processes.

### EFFICIENCY IMPROVEMENTS IN BUSINESS AREA SECURITY AND DEFENCE SOLUTIONS

Achieving large, lasting efficiency improvements is not easy. It requires questioning ingrained procedures and decisions while at the same time ensuring that the long-term health of the business is not sacrificed for short-term gains. Saab's business area Security and Defence Solutions (SDS) offers good examples of successful measures. The product portfolio, staffing and processes have all been evaluated and the results have been sales growth, cost savings and increased efficiency.

Work processes have been reassessed throughout the business area. Smarter processes and the introduction of the Lean philosophy have led to shorter lead times and less personnel needs. Capacity adjustments have also been made in the operating area, where demand has temporarily declined. As a whole, efficiency, measured as sales per employee, has increased by 14 per cent.

In the case of SDS, it isn't just a few measures that have had an impact, but many continuous improvements. Efficiency work doesn't stop and is a natural part of the business.



The effect of efficiency improvements is calculated for the underlying operations, excluding the acquisition of Saab Kockums and deconsolidation of Saab Grintek Technologies (Pty) Ltd.



Saab invests in product innovation and strategic acquisitions in key areas in order to achieve a more focused, market-oriented portfolio. The investments are primarily in areas where the Group is, or could be, a market or technology leader.

In 2014, total internal and customer funded research and development amounted to MSEK 5,970 (6,543), corresponding to 25 per cent (28) of sales. Examples of Saab's development work:

- Saab and Boeing continued the joint development of a new, advanced and cost efficient training aircraft. The goal is to participate in the US Air Force's upcoming T-X programme.
- The product portfolio in surveillance radar was expanded with five totally new radar systems. The major investments in recent years have added, among other things, a modular antenna and signal processing. This significantly strengthens Saab's offering and means that the Giraffe product family now includes long-range air surveillance. The same basic technology can be used in ground-based and sea radar as well as in airborne systems.
- Development work during the year on the next generation Gripen included the modernisation of the electronic warfare system. This technology can also be used in other parts of Saab's portfolio, such as submarines.
- A new generation of the Carl-Gustaf weapon system was launched. The Carl-Gustaf M4 has a lower weight, better ergonomics and a new sight functions.
- Remote Tower, a system for remote air traffic management, was further upgraded with security-enhancing components and during the year was placed in operation in Örnköldsvik, where air traffic control is now managed from Sundsvall.
- The naval fire control system 9LV was further enhanced with new technology and virtualisation. This development is one example of Saab's use of open source code, which is a proven approach and reduces the cost of the parts of the system that do not need to be customised.

Saab continued during the year to work on product development through modularisation. Modularisation allows the Group to quickly customise solutions, while minimising investment. This makes development work more cost efficient and shortens the lead time from development to sale, thereby reducing tied-up capital.

### NEW RADAR SYSTEM FOR A GROWING MARKET

Saab expanded its surface radar portfolio with five new radar systems for land and sea. The new systems offer a number of advantages; not only do they see smaller targets at longer distances, but they are also more robust and less sensitive to disruptions. Modern aircraft have sophisticated jamming devices to avoid radar detection, because of which radar systems must contain advanced technology to counter jamming attempts. Moreover, the systems must be able to suppress "noise," i.e., to sort out interfering signals that the radar may pick up.

The new systems use AESA electronically scanned array radar technology, which can scan an area more efficiently than traditional radar, but, at the same time, place high demands on the software.

Radar primarily has three applications: scanning an area for aircraft, linking to a weapon that can fire on intruders or localising where a weapon has been fired. Giraffe 4A, the first product in the new family, can do all three at the same time.

Saab's new radar systems have been developed over several years as part of the Group's largest development project after Gripen. The systems are modularly designed, which means that additional models can be developed at relatively low costs. One example is Giraffe 8A for long-range air surveillance. The systems for land, sea and air share the same development department. Saab expects the radar market to produce solid long-term growth.





### ACQUISITIONS

ThyssenKrupp Marine Systems AB (Saab Kockums), which designs, builds and maintains naval systems such as submarines and surface vessels, was acquired in 2014. The integration of Saab Kockums with Saab began during the year, and the scope for synergies with Saab's other naval operations are considered good. The company is part of business area Security and Defence Solutions.

The acquisition is consistent with the strategy to expand the offering and strengthen Saab's position in naval systems. It gives Saab another business with a strong local presence in Sweden and with good export potential.

### RESEARCH COLLABORATIONS

Saab participates in many different research projects with the academic community and other companies. The aim is to continue to offer the market advanced and efficient solutions.

Saab's close research collaborations with institutions such as Chalmers, the Royal Institute of Technology (KTH) and Linköping University are continuing. In addition, innovation partnerships are underway in several other countries outside Sweden.

### PRIORITIES GOING FORWARD

Investments in product development remain focused on a number of key product areas. Acquisition opportunities that strengthen the portfolio in key areas or the company's position in selected markets are continuously evaluated.

The Gripen order from Brazil will mean closer co-operation with Brazil on an academic level as well, largely through the Swedish Brazilian Innovation & Research Center (CISB). The Group's stronger presence in important markets leads to closer customer relationships that, in the long term, can lead to R&D collaborations.

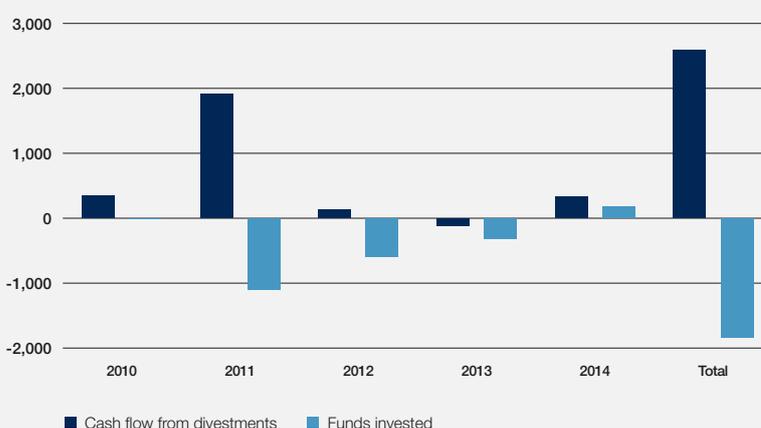
### SAAB VENTURES

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, rapidly growing companies that could eventually complement Saab's portfolio.

### Saab Ventures' holdings

Company	Ownership interest
C-leanship Aps (c-leanship.com)	48%
ReVibe Energy AB (revibeenergy.com)	38%
Cold Cut Systems AB (coldcutsystems.se)	29%
Wrap International AB (wrap.se)	23%
Minesto AB (minesto.com)	5%

Cash flow from acquisitions and divestments, MSEK



During the period 2010-2014, Saab conducted a total of 39 transactions, of which 23 acquisitions and 16 divestments. In total, the transactions have had a net positive effect on cash flow amounting to MSEK 763.

### TRANSACTIONS 2010-2014

	2010	2011	2012	2013	2014
<b>Acquisitions and investments</b>		<ul style="list-style-type: none"> <li>Sensis</li> </ul>	<ul style="list-style-type: none"> <li>HITT</li> <li>Medav</li> <li>Sörman Information</li> <li>Bayes Risk Management</li> </ul>	<ul style="list-style-type: none"> <li>TIKAB</li> <li>Hydro-Lek</li> <li>Pipavav</li> </ul>	<ul style="list-style-type: none"> <li>Saab Kockums</li> <li>Bayes Risk Management</li> </ul>
<b>Divestments</b>	Divestment of several holdings including portfolio holdings in Ventures	Divestment of several holdings including portfolio holdings in Ventures such as C3 Technologies	Divestments of portfolio holdings in Ventures	Divestments of portfolio holdings in Ventures	<ul style="list-style-type: none"> <li>Scandinavian Air Ambulance</li> <li>Fastighets AB Odengatan</li> <li>Hawker Pacific Airservices</li> <li>Saab Grintek</li> <li>Technology</li> </ul>



### **SAAB KOCKUMS BROADENS SAAB'S NAVAL OFFERING**

In 2014, Saab acquired ThyssenKrupp Marine Systems. The company, now the business unit Saab Kockums, designs, builds and maintains naval systems such as submarines and surface vessels, but also offers a number of other products such as the Stirling external-combustion engine and systems for submarine rescues and mine clearance. The business unit has around 850 employees, with broad-based competence in production, development and service. During the second half of the year, Saab Kockums began to be integrated with Saab and creating collaborations with Saab's other naval operations. Saab Kockums is a business unit within business area Security and Defence Solutions.

### **Saab now a turnkey naval supplier**

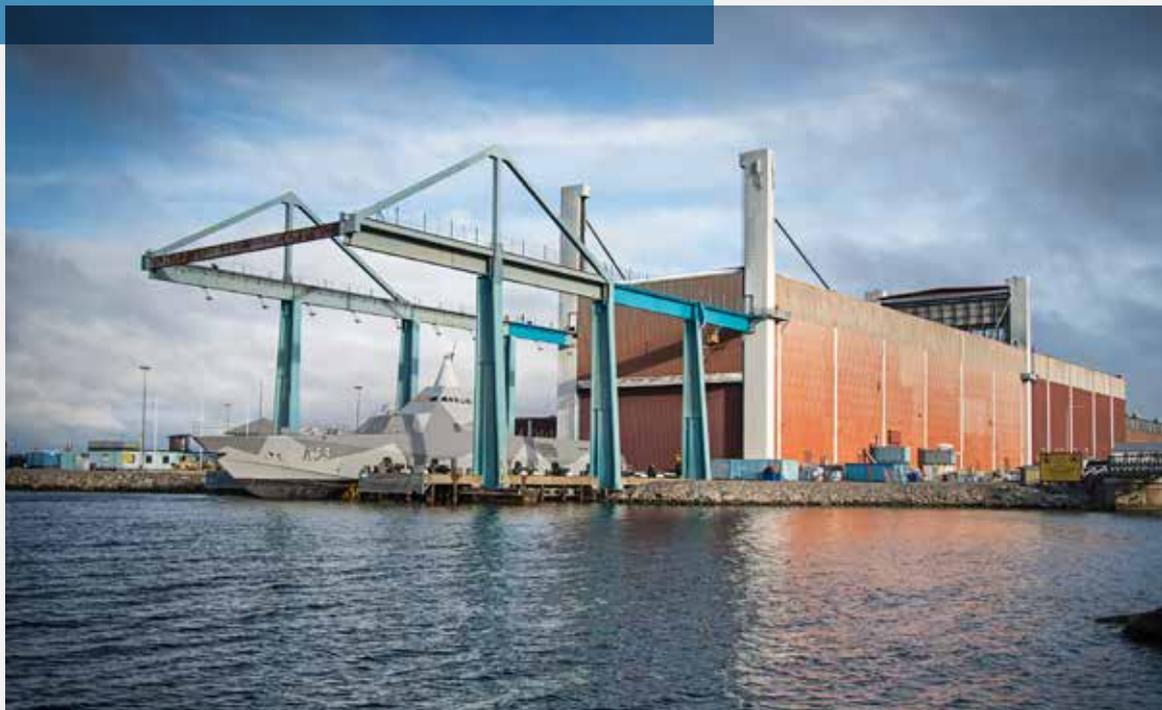
The acquisition is part of a strategy to broaden the offering and strengthen the Group's position in naval systems. Saab already had strong positions in integrated command and combat systems, radar, situational awareness and communication systems, tactical weapons, and underwater systems.

### **Long-term contract with FMV**

Saab Kockums received orders from FMV in 2014 to generate construction and production plans for Sweden's next generation submarine, as well as for modifications of two Gotland class submarines. In addition, Saab and FMV signed a letter of intent covering the Swedish Armed Forces' underwater capabilities. The letter of intent, which covers maintenance, development, design and production of submarines and other underwater systems, applies to the period 2015-2024 with potential orders of approximately SEK 11.2 billion.

### **Naval export opportunities**

Using its strong position in Sweden as a platform, Saab feels that its expanded naval offering offers good potential in export market. The strategy is to deliver complete systems, as well as subsystems to other manufacturers. Saab is developing the Swedish defence's next generation submarine, A26. Moreover, a co-operation has been established with the Damen Shipyards for example to bid on the Netherlands' submarine replacement programme.





Saab works actively to develop leaders and employees as well as to continue to build a culture that promotes performance, commitment and diversity.

The ability to attract, retain and develop employees is important so as to be able to realise Saab's strategy. Saab offers many forms of skills and leadership development, both internally and externally. Some training is mandatory for all employees and is often offered flexibly and cost efficiently through e-learning.

A large part of the human resource development plays out on a daily basis and in co-operation with colleagues. Saab also endorses learning in the form of networks and mentorships. There are many opportunities to try out different job assignments within the Group, nationally and internationally.

### DEVELOP LEADERS

Saab's trainee programme, "Saab Graduate leadership programme", is designed for recent graduates and young professionals who have the potential and desire to become future leaders. As part of the programme, participants gain experience by working in different parts of the Group, at home and abroad. They also receive leadership training, personal development and the opportunity to build a network of contacts within Saab.

Other important gateways for students are summer jobs and thesis work. In Sweden, Saab's goal is accept at least 400 summer workers and 150 master's students each year. At the same time that they gain work experience, they also benefit the company by helping to drive development forward.

For employees to reach their potential requires skilled and committed leaders. To strengthen its managers, the company focuses on four areas: business acumen, performance leadership, internationalisation and being both a manager and a leader. The four areas have helped to clarify the expectations placed on managers at Saab. In addition to courses with role-playing and leadership conferences, workshops are held throughout the organisation.

### PERFORMANCE CULTURE

To assist employees in realising their potential, each is required to meet with a manager to set individual goals aligned with Saab's business goals. Goals and results are followed up at least twice a year. Reviews include not only whether the employee met the goals, but also whether they did so in accordance with Saab's values.

In a performance culture, personal responsibility is critical so that every employee has the opportunity to impact their development. For the individual employee, clear guidelines and supervision increase motivation and reduce stress. For the company, a performance-based culture is critical for success in a globally competitive business environment.

### PROFESSIONAL PRIDE

Employees who feel proud of and are committed to their work and the company are vital to a knowledge company like Saab. In the annual employee survey, 82 per cent responded that they are very proud to work at Saab; high compared to other companies.

Among the aspects that employees are proud of are Saab's high technology and breadth of expertise, but also a corporate culture that offers a work-life balance.

### FOCUS ON POSITIVE WORK ENVIRONMENT

By working actively on occupational health issues, Saab reduces the risk of accidents, illnesses and workplace injuries in both the short and long term. In 2014, Saab introduced a new Group-wide global work environment policy. Saab also began developing a global occupational health and safety process based on the OHSAS 18001 international standard.

# 82%

Share of Saab's employees who feel very proud to work at Saab.\*

# #8

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

# 76%

Share of employees who consider Saab a very attractive employer.\*

\* Saab's employee survey



**DIVERSITY DRIVES INNOVATION**

A company that embraces gender equality and diversity, where everyone is given an equal opportunity, is also more likely to be innovative and profitable.

One goal is that at least 30 per cent of managers who set wages at year-end 2015 will be female. Saab attaches great importance to strong female candidates in the internal talent management process and in recruiting. At least one woman must be interviewed for all managerial positions. Saab also has a special mentoring programme for women.

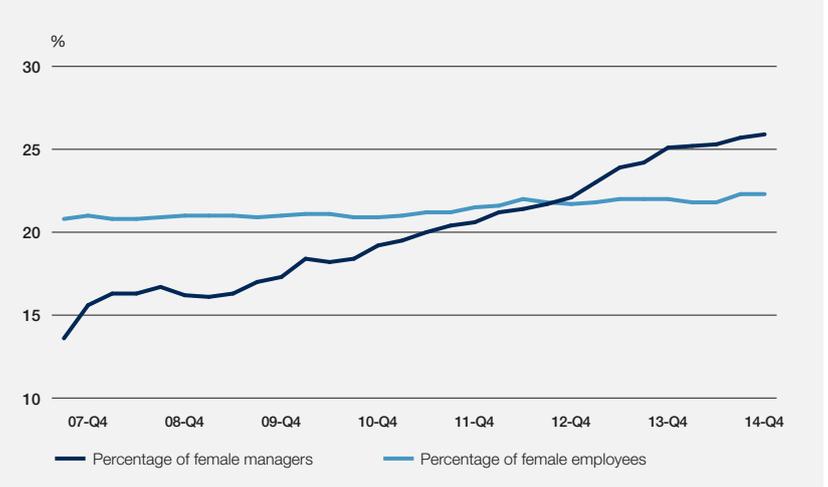
The focus on female leaders has produced results, and at year-end 2014 more than 25 per cent of managers at Saab were female, compared to 13 per cent when the goal was set in 2007. In total, 22 per cent of Saab's employees are female.

Diversity means respecting everyone equally regardless of age, gender, sexual orientation, religious belief, disability or ethnicity. It also means mixing people with different experiences and educational backgrounds.

All those who work with recruiting receive diversity training, and diversity is a parameter in leadership training and the global recruitment process. People who are open to different perspectives and views will make the company more innovative and lead to better business.

Around 60 nationalities are represented among Saab's employees, and a central part of the growth strategy is to maintain a presence in local markets around the world.

The percentage female managers, 2006–2014



# STRATEGY

## EMPLOYEES

### POPULAR EMPLOYER

The supply of well-educated people who want to work at Saab is critical if the company is going to maintain a position among technological leaders. Saab's popularity as an employer is evident by its ranking in the top ten favourite employers of Swedish engineering students.

Sweden is Saab's largest market; 45 per cent of sales come from Sweden and the company has just over 12,000 employees in more than 50 locations. Sweden is also where the majority of research and development work is done, which is one reason why it is important for Saab to be a popular and attractive employer.

### Number of employees

No. of employees by country	Dec 31, 2014	No. of employees by location	Dec 31, 2014
Sweden	12,097	Linköping, Sweden	5,099
South Africa	582	Järfälla, Sweden	1,260
USA	555	Gothenburg, Sweden	1,257
Australia	301	Karlskoga, Sweden	721
UK	239	Karlskrona, Sweden	605
Netherlands	130	Arboga, Sweden	540
Czech Republic	127	Centurion, South Africa	528
Norway	105	East Syracuse, USA	434
Germany	104	Växjö, Sweden	327
Denmark	68	Jönköping, Sweden	326
Other	408	Malmö, Sweden	310
<b>Total</b>	<b>14,716</b>	Huskvarna, Sweden	295
		Adelaide, Australia	209
		Östersund, Sweden	204
		Fareham, UK	191
		Trollhättan, Sweden	141
		Slavkov, Czech Republic	105
		Gamleby, Sweden	101
		Alvik, Sweden	96
		Apeldoorn, Netherlands	85
		Nyköping, Sweden	70
		Lillington, USA	70
		Other	1,742
		<b>Total</b>	<b>14,716</b>



# SUSTAINABILITY

## RESPONSIBLE BUSINESS

A responsible and sustainable business is of fundamental importance for Saab. All operations are conducted in accordance with external and extensive internal regulations, and employees receive continuous training, on anti-corruption measures for example.

Saab's products help to make countries, borders, and transportation systems safer. But at the same time that they protect freedom and security, they may also represent a threat. This entails a great responsibility.

### STRICT RULES

All sales of weapons and other defence materiel must fall within strict, controlled frameworks in order to ensure that the materiel is exported in accordance with international law.

The majority of Saab's exports are from Sweden, where the Swedish Inspectorate of Strategic Products (ISP) determines on behalf of the government which defence products Saab may sell to which countries. The guidelines on Swedish weapon exports stipulate that there must be security or defence policy reasons for the export and that it does not infringe on Swedish foreign policy. Evaluations are made on a case-by-case basis, and ISP takes into account a number of criteria, including the type of product, whether the weapon is intended for combat, other defence materiel (e.g., defensive systems for surveillance and command and control systems) or strategic products that can be used for both civil and military purposes. Saab sells products in all these areas. The product portfolio also includes civil products, where exports are not governed by ISP.

### CORRUPTION PREVENTION EFFORTS

Business ethics and risks are a recurring theme at Board meetings, Group-wide management conferences and meetings at the business area level. Saab's corruption prevention efforts are constantly developing and a number of functions are involved in the work.

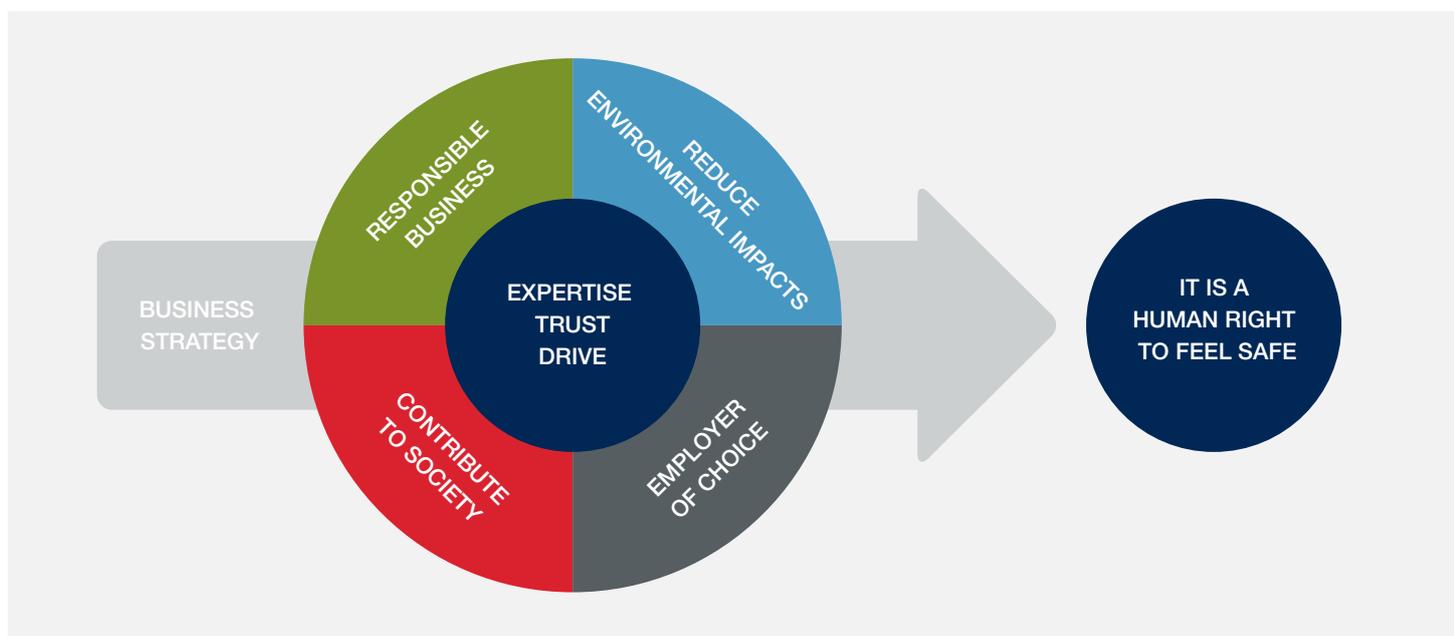
Through the Audit Committee, the *Board of Directors* is responsible for overseeing the Saab Code of Conduct and has ultimate responsibility for monitoring and evaluating business ethics work.

The *Ethics and Compliance Board* leads and draws up guidelines for the work, makes decisions on business ethics issues and follows up whistleblower cases. The board meets at least eight times a year and is led by Saab's General Counsel, who reports the work to the Board of Directors' Audit Committee.

The *Ethics and Compliance function* is responsible for monitoring, co-ordinating and developing corruption prevention work and contributing expertise in the area.

*Market Network Management (MNM)* is a function that works with risk analyses and the process for marketing consultants, for example. MNM also arranges training and develops tools for Saab's anti-corruption work.

*Saab's Internal Audit* monitors implementation of the company's corruption prevention processes.



Saab's sustainability work goes hand-in-hand with the business strategy and contributes to long-term profitability. By living up to Saab's values and acting responsibly, Saab builds the trust of its stakeholders and contributes to the vision, that it is a human right to feel safe.

# SUSTAINABILITY

## RESPONSIBLE BUSINESS

### TRAINING AGAINST CORRUPTION

Saab strives to be a reliable long-term partner that promotes an open and transparent market. Consequently, Saab can never accept corruption. Saab complies with current laws, the company's Code of Conduct, processes and values, and industry-wide codes of conduct to prevent corruption risks.

Among the factors that affect risk are where a deal takes place, who the customer is, how the procurement is implemented, how Saab found out about it, the business model and contract value. If the risks that are identified cannot be minimised and managed satisfactorily, Saab will withdraw from the deal. The rule is simple: Saab has zero tolerance for corruption.

Co-operation with marketing consultants or similar represent an increased risk, since the compensation paid goes 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. Saab's aim is to reduce the number of marketing consultants and, instead, increase use of its own employees in selected markets.

In addition to training on the Code of Conduct, all employees receive separate, web-based anti-corruption training. Employees in the marketing and sales organisation also receive mandatory follow-up training covering, among other things,

general risk awareness, internal processes and the company's tools for managing corruption risks.

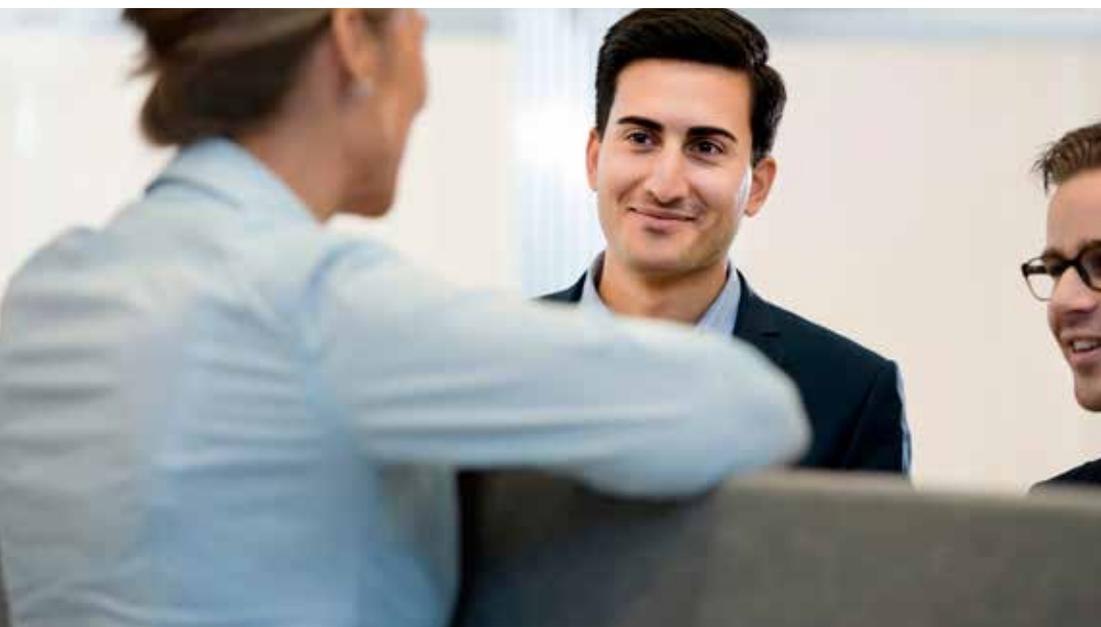
Employees who become aware of or suspect non-compliance with laws or Saab's Code of Conduct are expected to file a report through Saab's whistleblower system. In 2014, Saab created a new whistleblower system that will be launched in 2015 and replace the previous system. The new system complements ordinary line reporting and provides the option of reporting online or by telephone. The system is managed by an outside party and guarantees employee anonymity.

### INCREASED FOCUS ON SUPPLIERS

To minimise social and environmental risks in its supply chain, Saab began to develop a more structured way of working with suppliers in 2014. Among other things, a special code of conduct is being drafted for suppliers based on the UN Global Compact's principles of human rights, labour, the environment and anti-corruption. The code of conduct will be finalised during the first half of 2015.

To facilitate collaborations with suppliers, Saab has a supplier portal, [www.saabgroup.com/supplier](http://www.saabgroup.com/supplier), where it spells out its expectations of suppliers.

Saab has Zero tolerance for corruption.



At year-end 2014, 74 per cent of employees had completed Saab's web-based anti-corruption training.

# SUSTAINABILITY IS PART OF THE BUSINESS

## SECURE INFORMATION HANDLING

Saab handles information that is critical to its customers' security and in many cases to the security of their countries. To maintain the trust of customers, Saab obviously has to handle sensitive information in the best way possible. In 2014, Saab formulated a long-term strategy and action plan to achieve the goal of being a world leader in corporate security and risk management. See also the risk section on pages 50–53.

## TRAINING CONTRIBUTES TO SOCIETY

Saab is a highly research-intensive company, which is essential in order to remain competitive in the long term. This means both customer- and product specific research and it means broad-based innovation partnerships with industry, academia and the public sector. Saab participates in research collaborations in Sweden and other countries.

It is also in Saab's interest to foster an interest in technology among young people, so that more of them seek an engineering education. For this reason, Saab runs an engineering-oriented upper secondary school in Sweden and encourages its employees to get involved as math volunteers, for example, and support students.

## REDUCE ENVIRONMENTAL IMPACTS

Saab has worked determinedly to reduce its environmental and climate impacts. Efficiency improvements are being made at Saab's facilities to

reduce total energy consumption. From 2009 through 2014, consumption was slashed by 20 per cent. The priorities are to change employees' behaviours, use the best possible technology based on analyses of lifecycle costs and strategically manage real estate assets.

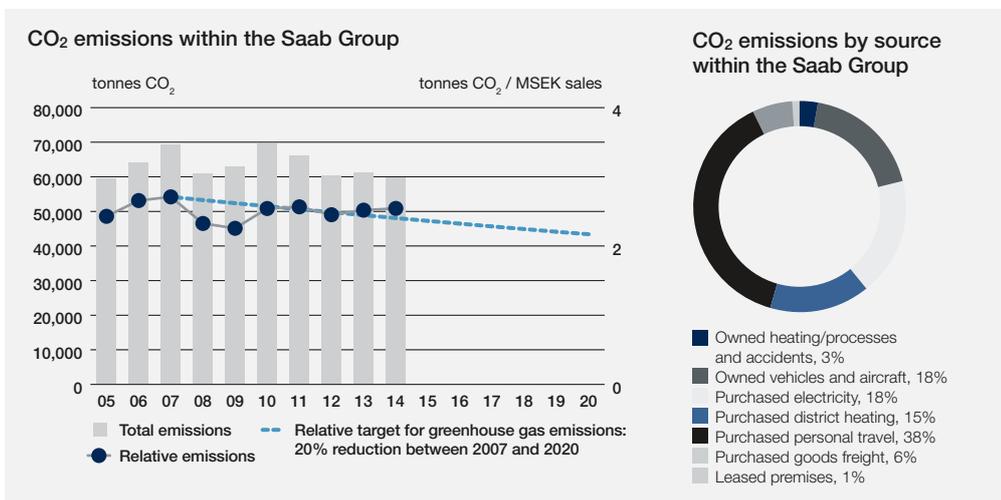
The largest share of Saab's total carbon dioxide emissions is from travel. As it becomes more international, Saab must strike a balance between the need to travel and the need to reduce climate impacts. In 2014, Saab made further efforts to encourage travel-free meetings and reduce emissions from travel. Small changes in routines can have a big impact in a global group.

Since 2006, Saab has reported information on greenhouse gas emissions to the Carbon Disclosure Project (CDP), an independent organisation that collects climate data from companies around the world. Information on CDP and Saab's complete report can be found at [www.cdproject.net](http://www.cdproject.net).

## PHASE OUT CHEMICALS

Another focus is the phase-out of hazardous chemicals in processes and products. This work has been underway for some time and will continue for many years to come.

Use of trichloroethylene to degrease parts has gradually been discontinued over the last two decades. By 2014, practically all trichloroethylene had been replaced by alternative solutions. The remainder will be replaced in 2015. In most appli-



# SUSTAINABILITY IS PART OF THE BUSINESS

cations, trichloroethylene has been substituted with water-based alternatives and in some cases with alternative production methods.

With respect to chemicals used in the maintenance of Saab's products and which contain hazardous substances, Saab has initiated a dialogue with customers and other stakeholders to find less hazardous alternatives. Saab is also working actively to reduce usage and emissions of volatile organic solvents (VOCs).

Saab's work with hazardous substances corresponds well with the requirements of the EU's chemicals law – Registration, Evaluation and Authorisation of Chemicals (REACH) as well as the requirements of the Group's customers. Saab actively participates in several collaborative groups, nationally and internationally, to enhance efforts in this area.

In 2014, Saab began implementation of various IT tools to make it easier to compile information on usage of chemical substances to ensure that the products meet environmental requirements.

## SUSTAINABLE INNOVATIONS

An important part of Saab's efforts to reduce its environmental impacts is research and development collaborations within the industry to create sustainable solutions for the future.

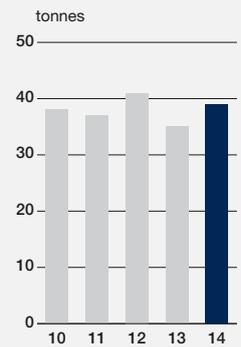
Saab is one of the main suppliers to Clean Sky, a Joint Technology Initiative financed equally by the EU and the industry to reduce emissions of carbon dioxide, hydrocarbons and nitrogen oxides as well as noise from aircraft. In another EU project, Saab is contributing its expertise and systems in remote towers and traffic flow management to develop and improve air traffic management systems with the aim of reducing climate impacts.

In a collaborative project between Sweden and the US, biofuels are being tested for various aviation applications. Saab is providing Gripen as a test platform, and test flights are scheduled in early 2017.

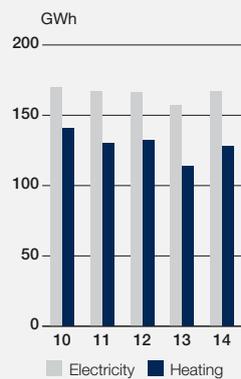
Saab's Code of Conduct provides guidelines on how employees are expected to act in relation to each other, in contacts with customers and partners, and in society.



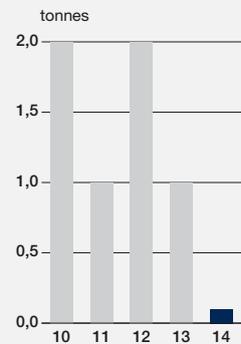
Emissions of volatile organic solvents (VOCs)



Energy consumption in Saab's operations



Consumption of trichloroethylene



During 2014 less than 0,1 ton trichloroethylene

# SUSTAINABILITY

## UN GLOBAL COMPACT

The UN's Global Compact is a framework for companies that have undertaken to apply sustainable business methods in their operations through ten generally accepted principles within the areas of human rights, labour, the environment and anti-corruption. Saab has been affiliated since 2011 and has included the framework in its Code of Conduct. The Code of Conduct in its entirety can be found at [www.saabgroup.com](http://www.saabgroup.com).



SAAB'S POSITION AND MEASURES TAKEN		
<b>Principle 1</b>	Businesses should support and respect the protection of internationally proclaimed human rights; and	In 2014, Saab provided internal training on human rights to increase understanding of the company's responsibility.
<b>Principle 2</b>	make sure that they are not complicit in human rights abuses.	Saab believes it is important to develop clear global regulations for trade with defence materiel aimed at safeguarding human rights and international humanitarian law. Saab has actively participated in the UN's international arms trade treaty. In 2014, Saab began formulating a code of conduct for suppliers based on the Global Compact's principles.
<b>Principle 3</b>	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	Saab defends the right to organise and participate in trade unions. We respect the freedom of association and all employees' right to organise or join employee organisations, as well as the right of employee organisations to collectively negotiate. This is integrated in our Code of Conduct and will also be part of the code of conduct for suppliers.
<b>Principle 4</b>	the elimination of all forms of forced and compulsory labour;	Saab takes a clear position against forced and compulsory labour. In 2014, Saab began formulating a code of conduct for suppliers based on the Global Compact's principles, which will include a requirement that suppliers refrain from compulsory labour.
<b>Principle 5</b>	the effective abolishment of child labour; and	Saab takes a clear position against child labour. In 2014, Saab began formulating a code of conduct for suppliers based on the Global Compact's principles, which will include a requirement that suppliers not use child labour.
<b>Principle 6</b>	the elimination of discrimination in respect of employment and occupation.	According to Saab's diversity policy, decisions that concern employment, promotions, development and compensation shall be based on employees' job knowledge and competence. Such decisions shall not be based on irrelevant factors such as gender, age, ethnic origin, religious belief, physical disability, sexual orientation, union membership or political affiliation. In our work, we will demonstrate respect for all individuals we come in contact with, regardless of differences.
<b>Principle 7</b>	Businesses should support a precautionary approach to environmental challenges;	Saab works actively to minimise environmental hazards and impacts. Protecting the environment is a natural aspect of Saab's everyday operations in the development, manufacture and testing of products and systems. Environmental issues are managed and monitored through processes and routines within the operating systems.
<b>Principle 8</b>	undertake initiatives to promote greater environmental responsibility; and	Saab holds regular training sessions and information activities to increase understanding of environmental problems and improve environment-related skills. Priority issues in the environmental area are identified and analysed on a continual basis.
<b>Principle 9</b>	encourage the development and diffusion of environmentally friendly technologies.	Saab is researching whether technical solutions used in the aerospace and defence industry can be used to reduce environmental risks and impacts in its own operations and in society in general. Saab participates with universities and other companies in various activities focused on spreading awareness of green solutions. Saab also participates in major European development projects such as Clean Sky, which aims to develop solutions that reduce aircraft noise and emissions.
<b>Principle 10</b>	Businesses should work against corruption in all its forms, including extortion and bribery.	Saab has zero tolerance of all forms of bribes and corruption. We neither offer nor accept improper gifts or hospitality. We are committed to conducting ourselves in an ethically correct manner in everything we do, based on current laws, our values and ethical rules and industry-wide codes of conduct.

# ADMINISTRATION REPORT

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# ADMINISTRATION REPORT

## GROUP - FINANCIAL REVIEW 2014

### FINANCIAL REVIEW 2014

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

Saab has been listed on the Nasdaq 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 3,650,221 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 54–62, 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 2014, 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 2014: Aeronautics, Dynamics, Electronic Defence Systems, Security and Defence Solutions, Support and Services, and Combitech. Combitech, which provides consulting services, is an independent, wholly owned subsidiary of Saab.

As of 1 January 2015, Combitech is part of a new business area, Industrial Products and Services, which will bring together the Group's business-to-business (B2B) business units. In addition to Combitech, the business units include Aerostructures (previously reported within business area Aeronautics), Avionics Systems (previously reported within Electronic Defence Systems), Saab Ventures' product portfolio (previously reported within Saab Corporate), and a development project (previously reported within Saab Corporate).

### CORPORATE

In addition to the business areas, Corporate comprises Group staff and departments and secondary

operations as well as Saab Aircraft Leasing.

Corporate reported an operating income of MSEK -15 (-221) in 2014.

During 2014, the reversal of risk provisions, attributable to the remaining risks related to Saab's lease fleet of turboprop aircraft, contributed positively to the operating income. The positive effect was at the same level as in 2013.

In 2014, the owned share of the portfolio was divested and the part held via operating leases has been reduced. As of 31 December 2014, Saab has a lease portfolio of 6 (49) aircraft, consisting of an owned share of 0 (14) and a leased share of 6 (35). The agreements for the leased aircraft expired in January and the lease portfolio will be discontinued during 2015.

In October, Saab divested its holding in Hawker Pacific Airservices Ltd., which resulted in a capital gain amounting to MSEK 93. During the year, the divestment of a Group company, whose assets were mainly related to property, had a positive impact on the operating income.

During the second quarter of 2013, a payment of MSEK 314 was made relating to a lost legal dispute was made. MSEK 231 of the payment was reported in operating income and MSEK 83 related to interest cost in financial net.

### 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/assets ratio.

*Average organic sales growth* of 5 per cent per year over a business cycle. In 2014, organic sales declined by -3 per cent (-2).

*Average operating margin (EBIT)* of at least 10 per cent per year over a business cycle. In 2014, the operating margin (EBIT) was 7.1 per cent (5.7).

*The equity/assets ratio* will exceed 30 per cent. At year-end 2014, the equity/assets ratio was 38.5 per cent (44.0).

### 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 2014, the Board of Directors is proposing a dividend of SEK 4.75 (4.50) per share, corresponding to 43 per cent (65) of net income.

### OUTLOOK 2015

In 2015, we estimate sales to increase more than Saab's long-term goal: annual organic sales growth of 5 per cent.

The operating margin 2015 excluding material non-recurring items is expected to be in line with the operating margin in 2014. In 2015, increased internally funded research and development efforts within Aeronautics will have a negative impact on the operating margin.

# ADMINISTRATION REPORT

## BUSINESS AREA AERONAUTICS

Aeronautics engaged in advanced development of military and civil aviation technology in 2014. 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

- The Gripen combat aircraft system is extremely cost efficient with a level of performance that meets stringent requirements and a design that facilitates continuous upgrades.
- Unmanned/autonomous systems.
- In 2014, Aeronautics was a subcontractor to commercial aircraft manufacturers, a business that is included in business area Industrial Products and Services as of 2015.

Aeronautics includes the following business units: Gripen E, Gripen C/D, Gripen Brazil and Air Piloted Training Systems. As of 2015, Aerostructures is part of the business area Industrial Products and Services.

### ORDERS RECEIVED

Order bookings in 2014 included several orders from FMV for development work, support and maintenance systems as well as project-specific equipment within the Gripen programmes.

In October 2014, a contract was signed with the Brazilian government on the development and production of 36 Gripen NG. The initial order value is estimated at SEK 39.3 billion, of which approximately SEK 25.4 billion is attributable to Aeronautics. The order will be finalised during the first half of 2015 after certain criteria are met.

Orders received with a total value exceeding MSEK 100 represented 94 per cent (98) of total order bookings.

### SALES, INCOME AND MARGIN

Sales for Gripen C/D operations decreased slightly in 2014, which was offset by growth in Gripen E

operations. Increased deliveries of aircraft components to Boeing and Airbus also had a positive effect on sales.

The operating margin was positively affected by lower amortisation of capitalised development expenditures in 2014 compared to 2013, while increased international interest in Gripen C/D and E led to slightly higher marketing expenses.

Markets outside Sweden accounted for 27 per cent (29) of sales.

### CASH FLOW

Operational cash flow was negative due to timing differences in project execution and milestone payments from customers.

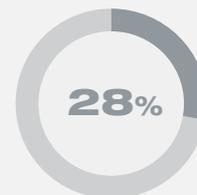
### EMPLOYEES

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

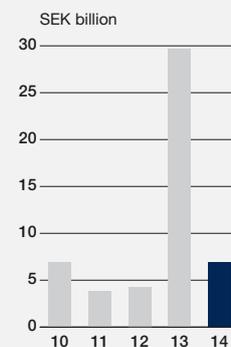
### Key figures

MSEK	2014	2013
Order bookings	6,890	29,677
Order backlog	34,283	34,113
Sales	6,720	6,869
EBITDA	539	603
EBITDA margin, %	8.0	8.8
Operating income, EBIT	480	456
Operating margin, %	7.1	6.6
Operational cash flow	-656	-227
No. of employees (FTE)	3,263	3,210

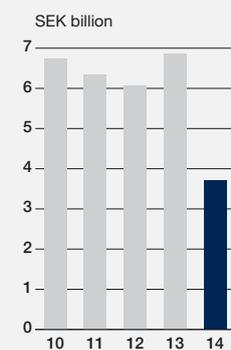
### Share of sales 2014



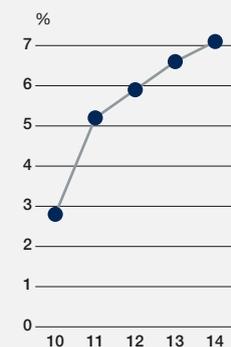
### Order bookings 2014



### Sales 2014



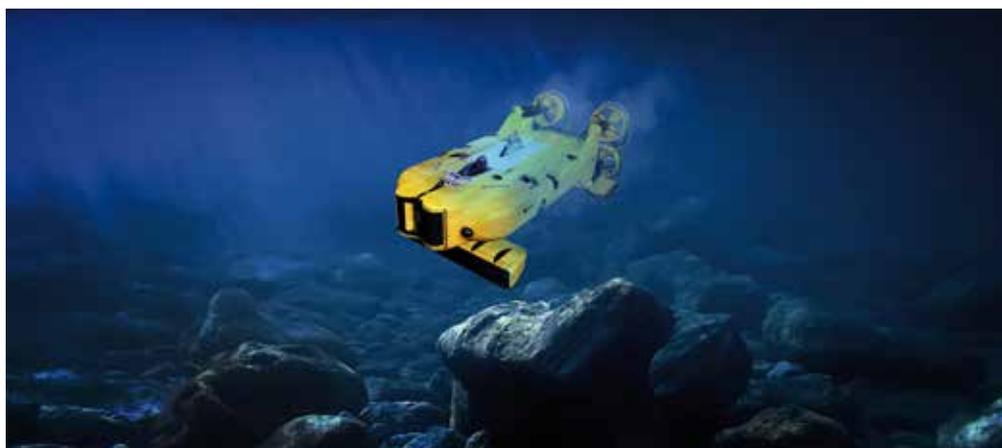
### Operating margin 2014



# 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 market 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 missile programmes such as Meteor, Taurus and IRIS-T.
- Underwater systems, including remote operated and autonomous vehicles as well as torpedoes and underwater sensors.
- 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.

### ORDERS RECEIVED

Market conditions were challenging in 2014, which is reflected in low order bookings. During 2014, an order was received from the French Ministry of Defence's procurement branch to supply the next generation of shoulder-launched weapon system. Also, an order for RBS 70 VSHORAD was received from the Brazilian Army, and FMV ordered design plans for a New Lightweight Torpedo (NLT). A five-year framework agreement regarding the weapon system Carl-Gustaf was signed with U.S. SOCOM (Special Operations Command).

Orders received with a total value exceeding MSEK 100 represented 23 per cent (47) of total order bookings.

### SALES, INCOME AND MARGIN

Sales decreased in 2014 compared to 2013 due to low order bookings in 2014 and earlier years. Lower sales led to a lower operating margin in 2014 compared to 2013.

Markets outside Sweden accounted for 81 per cent (85) of sales.

### CASH FLOW

Operational cash flow was negative in 2014, partly as a result of lower operating income and partly due to timing differences in deliveries and milestone payments.

### EMPLOYEES

The number of employees decreased in 2014 as a result of the efficiency measures implemented in 2013, which included downsizing mainly at the production unit in Karlskoga.

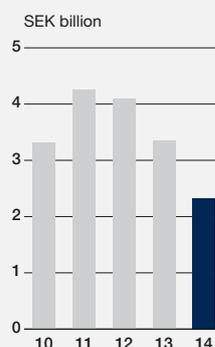
### Key figures

MSEK	2014	2013
Order bookings	2,325	3,345
Order backlog	3,915	4,548
Sales	2,974	3,566
EBITDA	226	428
EBITDA margin, %	7.6	12.0
Operating income, EBIT	165	366
Operating margin, %	5.5	10.3
Operational cash flow	-69	503
No. of employees (FTE)	1,461	1,523

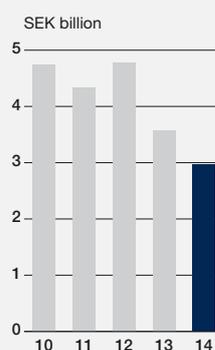
### Share of sales 2014



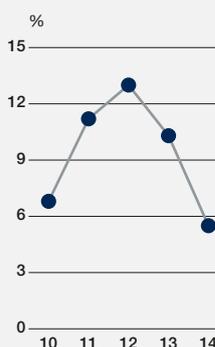
### Order bookings 2014



### Sales 2014



### Operating margin 2014



# 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

- Sensor systems Erieye, Giraffe and Arthur.
- Electronic warfare systems, including IDAS, Camps, BOL and LEDS.
- Signals intelligence (SIGINT) systems and self-protection systems.
- Flying surveillance systems, including AEW&C (Airborne Early Warning & Control).
- Avionics systems, including AviGuide and AviCom.

Electronic Defence Systems includes the following business units: Surface Radar Solutions, Airborne Surveillance Systems, Electronic Warfare Systems and Avionics Systems. As of 2015, Avionics Systems is included in business area Industrial Products and Services.

### ORDERS RECEIVED

The market remains challenging. Order bookings for 2014 included orders for the weapon locating system Arthur, an order for advanced vehicle protection and a number of service orders within radar.

Orders received with a total value exceeding MSEK 100 represented 36 per cent (70) of total order bookings.

### SALES, INCOME AND MARGIN

Operating income for 2014 strengthened as a result of the efficiency measures implemented in 2013 and 2014, lower product development expenses and successful project execution.

Markets outside Sweden accounted for 71 per cent (72) of sales.

### CASH FLOW

Operational cash flow was negative due to continued investments in development and tangible assets as well as timing differences in milestone payments and deliveries.

### EMPLOYEES

The number of employees decreased due to ongoing efficiency measures initiated in 2013.

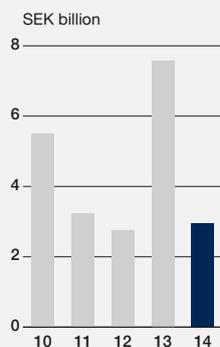
### Key figures

MSEK	2014	2013
Order bookings	2,943	7,587
Order backlog	7,619	9,171
Sales	4,629	4,560
EBITDA	622	373
EBITDA margin, %	13.4	8.2
Operating income, EBIT	205	-115
Operating margin, %	4.4	-2.5
Operational cash flow	-677	116
No. of employees (FTE)	2,550	2,588

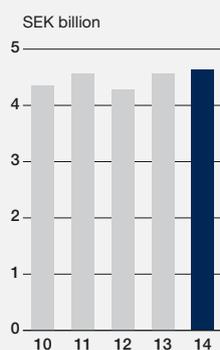
### Share of sales 2014



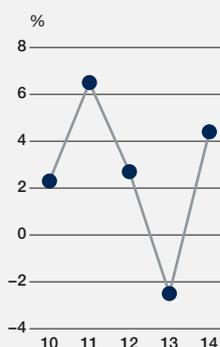
### Order bookings 2014



### Sales 2014



### Operating margin 2014



# 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 as well as systems for maritime and air traffic management.

### SERVICES AND SOLUTIONS

- Design, construction and maintenance of submarines and surface vessels.
- Naval combat management systems based on 9LV, complete solutions integrated with sensors for surface vessels or submarines. Combat management systems are also supplied to air forces and armies.
- Training systems and solutions mainly for the army, but also for navies and air forces. These systems and solutions include both live and virtual training.
- Air traffic management systems for airports. Systems and solutions include landing and security systems as well as traffic control tower solutions. The latter include Remote Tower for remote air traffic control.
- Maritime traffic management. Systems and solutions range comprise AIS transponders with AIS base stations, coast and port security, navigation solutions and hydrographic systems.
- Security systems and solutions for secure communications. Systems comprise security and case management systems for prisons, airports, armoured transports, police and ambulance services.

Security and Defence Solutions includes the following: Combat System and C4I Solutions, Critical System and Communication Solutions, Traffic Management, Training and Simulation and Saab Kockums.

### ORDERS RECEIVED

Order bookings increased in 2014 compared to 2013, partly due to several orders for military training systems.

Saab and FMV signed a Letter of Intent regarding the Swedish armed forces' underwater capability. The Letter of Intent refers to the period 2015-2024 and includes potential orders of approximately SEK 11.2 billion. In 2014, orders were received from FMV regarding construction and production plans for the next generation submarines as well as mid-life updates and overhaul of three submarines.

Orders received with a total value exceeding MSEK 100 represented 47 per cent (35) of total order bookings.

### SALES, INCOME AND MARGIN

Sales increased mainly due to the acquisition of ThyssenKrupp Marine Systems (Saab Kockums).



The takeover of Saab Kockums, and hence new business conditions, had a positive impact on income.

The operating margin rose as a result of the efficiency measures initiated in 2013.

Markets outside Sweden accounted for 73 per cent (78) of sales.

### CASH FLOW

Operational cash flow was at a high level in the fourth quarter as a positive effect of timing differences between delivery, activity and milestone payments.

### EMPLOYEES

The deconsolidation of Saab Grintek Technologies (Pty) Ltd as of 31 March 2014 resulted in a decrease of 265 FTE's, while the acquisition of Saab Kockums increased the number of FTE's by 855 at year-end. Excluding this, the number of FTE's further decreased following the efficiency measures initiated in 2013.

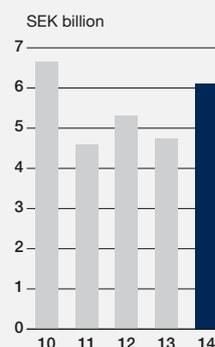
### Key figures

MSEK	2014	2013
Order bookings	6,110	4,736
Order backlog	6,823	5,571
Sales	5,762	5,095
EBITDA	468	328
EBITDA margin, %	8.1	6.4
Operating income, EBIT	356	213
Operating margin, %	6.2	4.2
Operational cash flow	157	122
No. of employees (FTE)	3,234	2,843

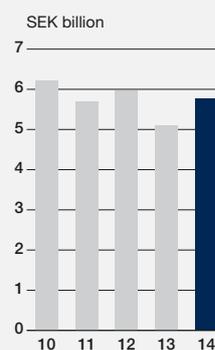
### Share of sales 2014



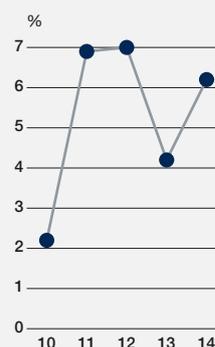
### Order bookings 2014



### Sales 2014



### Operating margin 2014



# 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 in locations with limited infrastructure.



### SERVICES AND SOLUTIONS

- Integrated service solutions for businesses in air, land, marine and civil security.
- Package solutions for equipment maintenance and service, technical training, spare parts, logistics solutions and field support as well as round-the-clock service centres.
- Flexible, scalable, adaptable and upgradable solutions.
- Operations are global and comprise Saab systems as well other OEM systems and equipment.
- Support and service for a large share of the Saab 340 and Saab 2000 operating globally. Today, 328 aircraft are flown by 70 operators in 37 countries, corresponding to around 1,400 flights per day.

Support and Services includes the following business units: Air, Land, Maintenance Repair Operations, Life Cycle Logistics and Airborne ISR.

### ORDERS RECEIVED

During 2014, an order was received from FMV for support and maintenance of Gripen in Sweden, Czech Republic, Hungary and Thailand. FMV also ordered advanced aerial target services for the Swedish Armed Forces. In addition, an order was received from Daewoo Shipbuilding & Marine Engineering Co. Ltd. (DSME) to design and integrate healthcare capability aboard a Norwegian support vessel.

Orders received with a total value exceeding MSEK 100 represented 58 per cent (55) of total order bookings.

### SALES, INCOME AND MARGIN

Sales decreased slightly in 2014 compared to 2013 due to fewer large orders. Underlying operations were stable and sales from smaller orders were in line with 2013.

The operating margin was negatively impacted by a change in the product mix in 2014 compared to 2013.

Markets outside Sweden accounted for 37 per cent (40) of sales.

### CASH FLOW

Operational cash flow was negative due to timing differences in project execution, milestone payments and investments.

### EMPLOYEES

The number of employees decreased slightly as a result of the efficiency measures initiated in 2013.

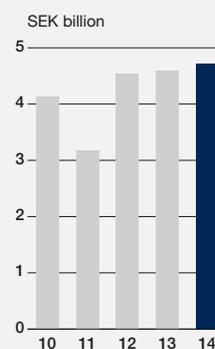
### Key figures

MSEK	2014	2013
Order bookings	4,720	4,602
Order backlog	7,976	6,683
Sales	3,570	3,772
EBITDA	394	517
EBITDA margin, %	11.0	13.7
Operating income, EBIT	376	498
Operating margin, %	10.5	13.2
Operational cash flow	-32	-149
No. of employees (FTE)	1,818	1,840

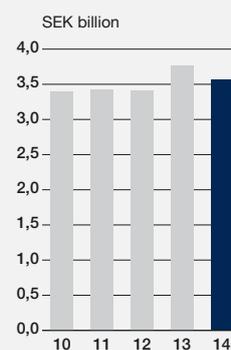
### Share of sales 2014



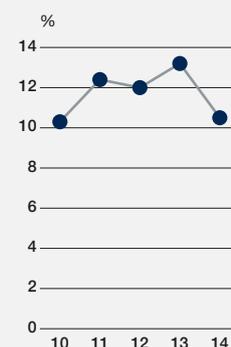
### Order bookings 2014



### Sales 2014



### Operating margin 2014



# ADMINISTRATION REPORT

## BUSINESS AREA COMBITECH

Combitech is an independent subsidiary of Saab and until year-end 2014 an independent business area within the Saab Group. It is one of Sweden's largest technology consulting firms, combining technology with cutting-edge expertise in the environment and security to create solutions for our customers' specific needs.



### SERVICES AND SOLUTIONS

- Combitech is active in aviation, defence, telecom and other industries as well as the public sector.
- Combitech offers services in systems development, systems integration, information security, systems security, communications, mechanics, technical product information and logistics.

As of 2015 Combitech is included in the business area Industrial Products and Services.

### SALES

Order bookings decreased and sales decreased slightly in 2014 compared to 2013 due to a challenging market situation and hence a lower utilisation rate.

Markets outside Sweden accounted for 8 per cent (8) of sales.

### INCOME AND MARGIN

The operating margin was lower in 2014 compared to 2013 due to the challenging market.

### CASH FLOW

Operational cash flow was at a lower level in 2014 compared to 2013, mainly due to lower operating income.

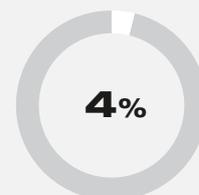
### EMPLOYEES

The number of employees increased slightly, mainly because a business previously organised under the business area Security and Defence Solutions was transferred to Combitech.

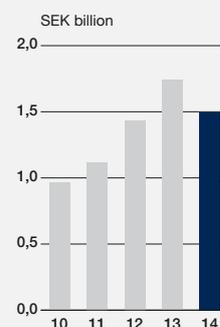
### Key figures

MSEK	2014	2013
Order bookings	1,494	1,740
Order backlog	387	540
Sales	1,649	1,684
EBITDA	100	157
EBITDA margin, %	6.1	9.3
Operating income, EBIT	92	148
Operating margin, %	5.6	8.8
Operational cash flow	76	162
No. of employees (FTE)	1,405	1,345

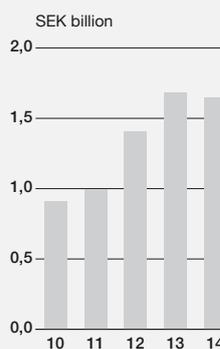
### Share of sales 2014



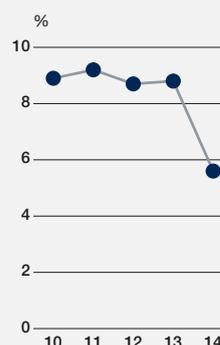
### Order bookings 2014



### Sales 2014



### Operating margin 2014



# BUSINESS AREA INDUSTRIAL PRODUCTS AND SERVICES

Industrial Products and Services was established on 1 January 2015 and comprises the business units Combitech, Avionics Systems and Aerostructures as well as the development of product ideas that fall outside of Saab's core business.



The business units within Industrial Products and Services differ from Saab's other operations by their focus on business-to-business (B2B) customers or because they are not dependent on Saab's principal end-customers. Other business areas within Saab have a customer base largely consisting of public authorities. With different customer groups come different management strategies and priorities. Opportunities to strengthen these operations in the long term are greater in the new organisation. Industrial Products and Services will work with individual growth strategies for each business unit.

## SERVICES AND SOLUTIONS

- The technology consulting company Combitech; see page 47.
- Aerostructures is a subcontractor to the aviation industry and manufactures, among other things, wing flaps and doors for commercial aircraft manufacturers such as Boeing and Airbus.
- Avionics, including surveillance, display and digital recording systems.
- Saab Ventures gathers together and develops product ideas that derive from development projects that fall outside of the core business. Saab Ventures also invests in small, rapidly growing companies that could eventually complement the core portfolio.

Industrial Products and Services includes the following business units: Aerostructures, Avionics, Combitech and Saab Ventures.

## EMPLOYEES

On 1 January 2015, Industrial Products and Services had 2,411 employees.

## Key figures, restated

MSEK	2014
Order bookings	2,604
Order backlog	9,537
Sales	3,465
EBITDA	143
EBITDA margin, %	4.1
Operating income, EBIT	112
Operating margin, %	3.2
Operational cash flow	-320
No. of employees (FTE)	2,370

# ADMINISTRATION REPORT

## OTHER SIGNIFICANT EVENTS

### OTHER SIGNIFICANT EVENTS DURING THE PERIOD JANUARY-DECEMBER 2014

- Saab has received a contract from the Norwegian army regarding development and serial deliveries of the new generation vehicle simulators.
- On 8 April 2014, Saab AB held its Annual General Meeting in Stockholm. In accordance with the Nomination Committee's proposal, 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 to the Board of Directors. Marcus Wallenberg was re-elected as Chairman of the Board of Directors. At the statutory Board meeting after the Annual General Meeting, Sten Jakobsson was elected Deputy Chairman of the Board.
- In a national referendum in May, the Swiss people voted No to the funding plan for Gripen.
- In June, an order was received to provide the corrective maintenance and capital expenditure for the electronic security system for the Southern Queensland Correctional Centre in Australia.
- Saab's Board of Directors resolved to repurchase Series B shares to secure delivery of shares to participants in Saab's long-term Share Matching Plan and Performance Share Plan.
- In June, Saab issued MSEK 600 in bonds maturing on 19 December 2019 and in October it issued MSEK 400 in bonds maturing on 19 December 2019 as part of the existing Medium Term Note programme.
- A three-year contract for support and service of weapon simulators was signed with the UK Ministry of Defence.
- In July, a framework agreement was signed by Saab and the European Defence Agency (EDA) for potential orders of Carl-Gustaf ammunition to Estonia, Latvia, Lithuania, Czech Republic and Poland. The agreement extends five years and includes a possible two-year extension.
- Saab and Embraer announced in July that they

had signed a memorandum of understanding to partner on joint management of the Gripen programme within the framework of the Brazilian F-X2 project, where Gripen NG has been chosen as Brazil's next generation fighter.

- On July 22, Saab announced that the acquisition of Swedish shipyard ThyssenKrupp Marine Systems had been finalised.
- Saab announced that changes will be made in its business area structure to develop and strengthen the organisation in accordance with the overarching business strategy. At the same time, changes were made within Group Management. All changes apply as of 1 January 2015.
- Saab received an order from the government of Hong Kong Special Administrative Region to renew the existing Hong Kong Vessel Traffic Services System.
- In December, an order was received from FMV for the extended lease for Gripen from Sweden to Czech Republic. The agreement covers modifications, the upgrade of system functionality and support to FMV for the aircraft flown by the Czech Air Force for an additional 12 years.
- FMV also ordered maintenance, technical system support and spare parts for Gripen during 2015 on behalf of the Swedish Armed Forces.

### SIGNIFICANT EVENTS AFTER THE CONCLUSION OF THE PERIOD

- In January, Saab signed a revolving credit facility of SEK 4 billion with an initial term of five years and with a possibility to extend the term with one plus one year.
- Saab announced in January that it has teamed up with Dutch shipbuilder Damen Shipyards Group to explore future opportunities in the international submarine market. The companies have signed an exclusive teaming agreement to work together in pursuit of the potential Walrus-class submarine replacement programme for the Netherlands.

# ADMINISTRATION REPORT

## RISKS AND RISK MANAGEMENT

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

All businesses entail risk. A risk can be specific to the company or related to a certain industry or market. Certain risks can be fully managed by the company, while others are out of its control. Saab's operations primarily involve the development, production and supply of technologically advanced hardware and software to customers around the world.

Our operations entail not insignificant risk-taking in various respects. The key risk areas are political, financial and operating risks and we discuss this in the following paragraphs.

### MANAGING RISKS

Significant identified risks are managed continuously at all levels of the organisation and in the strategic planning process. Various guidelines, policies and tools govern the management of significant risks. In addition, Saab has an internal audit unit that serves as a dedicated resource to independently audit the effectiveness of a selection of internal control processes. Risks are also managed by procuring insurance. Saab has a Group-wide programme where insurance is obtained on the market or through the Group's own insurer, Lansen Försäkrings AB.

### RISK ANALYSIS AND ACTIVITIES 2014

In 2014, Saab continued to introduce and monitor the harmonised risk assessment process within the Group.

The focus was on information processing, the development process and how Saab introduces new systems and products in new markets, as well as project execution. In addition, Saab worked actively to improve how environmental risks are

managed, including preparations to replace the chemical data system. In 2014, a new whistleblowing unit and policy were established and several other compliance initiatives were started so as to continue to improve the processes at Saab.

### POLITICAL AND MARKET RISKS

Saab supplies, among other things, systems and equipment that are classified as strategic products, the sale of which are 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.

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

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

#### *Managing political and market risks*

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

#### 2013:

Internal focus on better understanding local requirements. Ongoing training in anti-corruption work for Saab employees and partners. Continuous improvements to the overall risk assessment process.

#### 2014:

Implementation of measures to streamline development processes, including thorough use of the product database introduced in 2013. Strengthen the whistleblowing unit and integrate Saab's environmental policy at Saab Kockums. A number of measures were also taken to increase security awareness among employees.

#### 2015:

In 2015, Saab intends on launching an updated edition of the Code of Conduct and a special code for suppliers. Other priorities include further developing the product development process and more strongly integrating security in Saab's Win Business process. In addition, Saab will continue to improve the risk management process.

## FINANCIAL RISKS

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

Financial risks		
<b>Risk</b>	Currency risks Interest risks Refinancing risk Credit and counterparty risks Commodity risks	Pension obligation
<b>Risk management</b>	Management of financial risks is governed by a Group Treasury Policy established by the Board of Directors. See not 41 for further information.	See below

### *Pension obligations*

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

### *Management of pension liability*

The predominant plan in Sweden is the ITP plan under collective agreements 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 of securing its defined-benefit plans: as liabilities on the balance sheet, in pension funds or funded through insurance with mainly Alecta. The Saab Pension Fund, that secured part of the ITP plan, had assets of MSEK 5,091 (4,595) as of 31 December 2014, compared to an obligation of MSEK 7,428 (5,793) according to IAS 19, or a solvency margin of 69 per cent (79).

To manage the pension liability, the Saab Pension Fund was established in 2006 and capitalised with the corresponding PRI liability. The Group's obligations are calculated on an actuarial basis each year, after which a comparison is drawn with the fund's assets. Deficits may require Saab to contribute additional funds. The Saab Pension Fund's objective is a real annual return of at least 4 per cent on invested capital. The fund invests in interest-bearing securities, equities and hedge funds.

## OPERATING RISKS

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

### *Development and introduction of new systems and products*

The Group invests heavily in the research and development of its own products and systems as well as acquisitions of technology. Its own products mainly include radar systems, command and control systems, tactical weapons, UAV systems and electronic warfare systems. One example of acquired technology is the radar technology obtained through the acquisition of Ericsson Microwave Systems AB in 2006. Investments in new systems and products are made after a strategic and financial analysis and assessment of future business opportunities.

The risk associated with developing and introducing new systems and products is that they will fail to meet market demands and not yield the return estimated at the time the decision was made.

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

Saab's new product database, with more than 600 products grouped by product area, was launched in 2013. In 2015, the focus is on packaging offers (combinations of products, services tied to products, etc.). The product database is linked to Saab's CRM system (Customer Relationship Management) and provides strong support for the market area organisation. Good packaging facilitates a dialogue with customers and reduces design costs. During the year, Saab further improved efficiencies in product development through modularisation. This means that new customer requirements can be met more quickly and at a lower cost. One example is Roquette NG, a next generation shoulder-launched weapon system for the French Armed Forces, where Saab's ability to quickly meet new requirements turned the deal in Saab's favour.

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

### *Long-term customer 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 situation is complex. Our success depends on the ability to offer cost-

# ADMINISTRATION REPORT

## RISKS AND RISK MANAGEMENT

effective 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 meeting customer requirements, as a result the commitment is not fulfilled or the costs run significantly higher.

### *Management of long-term customer contracts*

The majority of all long-term customer contracts include significant development work, which is associated with risk. Every contract with a customer to supply a product, solution or service is preceded by a thorough analysis of the conditions and risks associated with the delivery, based on an internal process established within Saab for customer contracts, the Win Business process. This process includes a comprehensive analysis of the risks in the project and requirements for managing identified risks.

During 2014, Saab further improved the process, which has been adapted to changes in Saab's internal governance and new external demands. The Win Business process has also been adapted to the market area organisation introduced in January 2013. Regular project reviews are conducted during the project implementation stage using design reviews, project reviews, decision reviews, etc. An important element is to identify risks and assess them 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 is critical to revenue recognition and provisions for onerous contracts as well as the valuation of inventories. The outcome of technical and commercial risks may affect income and cash flow. Deliveries according to project plan and milestones is important to cash flow as payment upon achievement of milestones. Saab works continuously to improve this process and ensure its implementation. In 2014, Saab further implemented and improved the process. These improvements will continue in 2015, including adjustments to new external and internal demands.

### *Environmental risks and liabilities*

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

### *Management of environmental risks and liabilities*

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. Saab has therefore

introduced strict routines for risk assessment, supervision and control of chemicals. Established routines for safe chemical handling are also used in other locations where Saab is active. Health and environmental information on chemical products is available through the Group's chemical data system, which will be replaced in 2015. In 2014, several activities were initiated to meet the anticipated prohibition on the use of certain hazardous chemicals, according to the REACH chemical legislation. Preparations were also made to replace the chemical data system. Saab works actively to assess and minimise fire risks in its operations. Since a fire in a production facility can cause extensive environmental damage to the local area, effective fire prevention is an important part of the efforts to reduce environmental risks. The integration of Saab's environmental policy at Saab Kockums AB began in 2014 and will continue in 2015.

Saab analyses its operations and properties around the world to assess the Group's risk exposure resulting from soil contamination. If a contaminated area is identified, liability is determined and an overall risk assessment is conducted. Information on contaminated areas is documented as it is received. An insurance solution to manage soil contamination cases has been in place since 2009. Overall risk assessments are made to determine how operations are affected by climate change. These risks are reported within the framework of reporting for the Carbon Disclosure Project (CDP).

### *Compliance risks*

The Group has clear guidelines on how employees shall act in contact with customers and society. Saab conducts business all over the world and has relationships with customers and other stakeholders on every continent. Saab's commitment is to act in an ethically correct manner in all that is done, based on current legislation, Saab's Code of Conduct and common industry standards. Saab strives to be a long-term, reliable business partner that promotes an open and transparent market. The risk involved when Saab does business is that this commitment is broken.

### *Management of compliance risks*

Saab's Code of Conduct is based on OECD guidelines and the UN Global Compact. All employees receive Code of Conduct training. A cornerstone of our compliance work is that every business transaction and market activity shall be preceded by a corruption analysis. To facilitate the analysis, Saab has developed a Corruption Risk Assessment Tool which helps to single out factors that typically influence the risk of corruption. All employees in the marketing and sales organisation receive training that stresses the importance of the requirement that business managers perform a corruption assessment in connection with every business transaction. The training also includes knowledge

of current laws and Saab's processes for hiring consultants and other advisors.

Use of marketing consultants and other advisors is customary in a complex world. At Saab, every co-operation is tested, evaluated and motivated centrally. A clear decision-making process is followed, and every decision is preceded by a thorough analysis. Saab also offers training for the marketing consultants it retains. Undergoing this training and signing a commitment to follow Saab's guidelines are prerequisites for signing a new contract. All Saab employees are also required to complete web-based anti-corruption training. The programme, which is designed to specifically reflect the risks that arise in Saab's operations, is available in both English and Swedish.

In 2014, Saab created a new whistleblower unit and policy that was introduced at the end of the year and allows external reporting via the internet and telephone. In addition, Saab launched a programme to audit its marketing consultant contracts. Other initiatives included an update of Saab's teacher-led anti-corruption training and expansion of the target group to include people outside the marketing organisation. Saab also began a review and update of our Code of Conduct. The aim is to launch an updated edition of its Code of Conduct and a special code for suppliers and business partners in 2015.

#### INFORMATION SECURITY RISK

Saab's knowledge, information and intellectual assets are of vital importance to the Group's competitiveness, as are well-functioning IT systems, networks and efficient communication. Saab also manages information in confidence that is critical 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, comply with current requirements and maintain the trust of customers, owners, authorities and partners.

Society greatly needs to improve IT security at the same time that the gap in security is growing ever faster. IT developments in general have acce-

lerated, while the security measures to protect systems and information have not kept pace. The vulnerabilities in today's global IT systems are, and will for the foreseeable future remain, one of the most complex issues Saab faces. IT services in modern businesses are often complex and spread out both physically and organisationally. Information security risks are becoming more difficult to assess and identify as data passes multiple jurisdictions and technological systems. Information security has also taken on a growing political dimension of late. Cyber espionage and cyberattacks are part of the "security policy toolbox" in a growing number of countries. As a result, society's, and Saab's, information and IT security is subjected to increasingly complex threats, which are not necessarily just technological in nature.

#### 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 roles, processes, routines and technological solutions for information, IT and communication security. During the year, several new projects and collaborations were launched in an effort to further improve security. Saab's focus in 2015 is to protect its most critical information and communication against the most sophisticated threats.

To ensure that they handle information in accordance with current regulations, all new personnel undergo security training when hired. As an employee, they then receive continuous training and information. The focus in 2015 is to further increase security awareness through training.

Saab formulated an overarching long-term security strategy in 2014, where one of the goals is to be a leader in corporate security and risk management. Security will be a natural and integral part of Saab's operational management processes, leadership and culture. As part of the action plan, a reorganisation was implemented and the Group's security function was significantly strengthened in 2014. The focus in 2015 is to integrate security as a natural part of Saab's Win Business process.

SIGNIFICANT RISKS		
Political and market risks	Financial risks	Operating risks
Export regulation Macroeconomic factors	Currency risks Interest risks 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 shares are listed on Nasdaq Stockholm.

Saab's corporate governance is based on Swedish legislation, primarily the Swedish Companies Act, the Swedish Annual Accounts Act, Nasdaq Stockholm Rules for issuers – which also include the Swedish Code of Corporate Governance – and other relevant Swedish and foreign laws and guidelines.

Saab has a Code of Conduct with ethical guidelines in a number of areas on how employees are expected to act in contacts with customers, business partners and in society as well as with each other as colleagues. Saab's Code of Conduct is a part of the governance of Saab. For further information, see pages 35, 39 and 52.

#### *Swedish Code of Corporate Governance*

Since Saab shares are traded on Nasdaq Stockholm and it must follow good practices in the securities market, Saab is also obligated to comply with the Swedish Code of Corporate Governance (the Code). The Code is available at [www.bolagsstyrning.se](http://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 2014. The Annual General Meeting 2014 was planned and carried out in accordance with the Code. The Annual General Meeting 2015 will also be planned and carried out pursuant to the provisions of the Code. Saab's website, [www.saabgroup.com](http://www.saabgroup.com), has a special area for corporate governance issues, which is updated in accordance with the Code.

The Board annually issues a report on how the internal control of financial reporting is organised, which can be found at the end of this report.

This Corporate Governance Report has been reviewed by the company's auditor pursuant to the Annual Accounts Act; see pages 132–133.

Saab did not deviate from the provisions of the Code in 2014.

### 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 matters such as 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 of Saab was held on 8 April 2014 in Stockholm and attended by 531 shareholders, representing approximately 72 per cent of the total voting rights in the company. This year the Annual General Meeting will be held on 15 April 2015 in Stockholm. For more information, see page 134.

On 31 December 2014, 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.

### LARGEST SHAREHOLDERS, 30 DECEMBER 2014

According to SIS Ownership Service	Share of capital, %	Share of votes, %
Investor AB, Sweden	30.0	40.7
Wallenberg Foundations, Sweden	8.7	7.7
Swedbank Robur Funds, Sweden	5.8	5.2
AFA Insurance, Sweden	4.9	4.4
Unionen, Sweden	2.7	2.4
SHB Funds, Sweden	2.4	2.1
Nordea Funds, Sweden	1.4	1.2
Odey Funds, UK	1.3	1.2
First AP Fund, Sweden	1.3	1.2
SEB Funds, Sweden	1.3	1.2

As of 31 December 2014, Saab held 3,650,364 of its own Series B shares, corresponding to about 3.3 per cent of the share capital. For additional information on the ownership structure, see page 24. The Board of Directors has an authorisation from the Shareholders' Meeting to repurchase shares, see page 65 for further information.

### ② NOMINATION COMMITTEE

According to the Nomination Committee process, which was adopted at the Annual General Meeting in 2011 and applies until further notice, Saab shall have a Nomination Committee consisting of one representative of each of the four shareholders or groups of shareholders with the greatest number of votes, along with the Chairman of the Board. The names of the four shareholder representatives and the shareholders they represent shall be announced at least six months prior to the Annual General Meeting based on known voting rights as per the last business day 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.

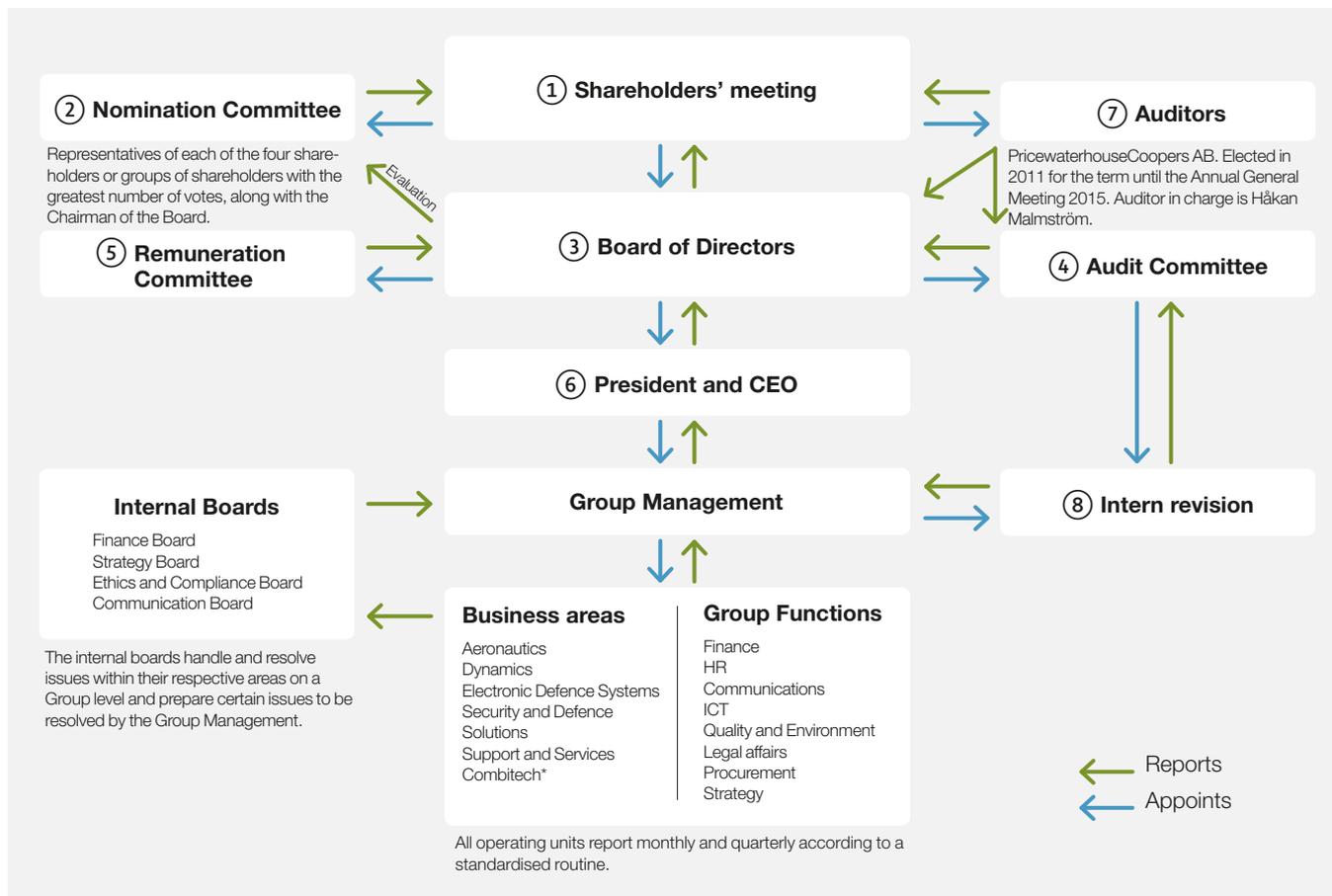
According to the nomination committee process, the Nomination Committee shall provide proposals regarding the following issues, to be presented to the Annual General Meeting for resolution:

- the Chairman of the Shareholders' Meeting,
- the Board of Directors,
- the Chairman of the Board,
- the remuneration to the members of the Board, allocated between the Chairman and other members of the Board, and remuneration for committee work,
- election of auditors, if applicable, and
- fees to Saab's auditors.

Ahead of the Annual General Meeting of Saab AB on 15 April 2015, it was announced in a press release on 14 October 2014 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 the Chairman of the Nomination Committee.

These persons in the aggregate represent approximately 56 per cent of the votes in Saab based on the ownership structure as of 31 August 2014.

The proposal of the Nomination Committee will be presented not later than in connection with the notice of the Annual General Meeting 2015.



\* Included as of 1 January 2015 in the new business area Industrial Products and Services (IPS).

**MEMBERS OF THE NOMINATION COMMITTEE FOR ANNUAL GENERAL MEETING 2015**

Member	Representing	% of votes 31-8-2014	% of capital 31-8-2014
Petra Hedengran	Investor AB	39.5	30.0
Peter Wallenberg Jr	Knut och Alice Wallenbergs Stiftelse	7.6	8.7
Tomas Hedberg	Swedbank Robur Fonder	4.6	5.3
Anders Algotsson	AFA Försäkring	4.0	4.6
Marcus Wallenberg	Styrelseordförande Saab AB		

Meeting Sten Jakobsson was elected Deputy Chairman of the Board. Among Board members, only President and CEO Håkan Buskhe is employed by the company.

Information on the remuneration to the members of the Board as resolved by the Annual General Meeting 2014 is set forth in note 37 of the annual report.

**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; see pages 60–61.

**Employee representatives**

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

**Independence requirement**

The table on page 56 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.

**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 at the Annual General Meeting. According to resolution at the Annual General Meeting on 8 April 2014, Saab's Board of Directors shall consist of nine members elected by the Shareholders' Meeting with no deputies. In addition, the employee organisations appoint three Board members with an equal number of deputies.

At the Annual General Meeting on 8 April 2014, 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

## COMPOSITION AND INDEPENDENCE OF THE BOARD IN 2014

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

<sup>1)</sup> Member of Investor AB's Board

<sup>2)</sup> President and CEO of Saab

<sup>3)</sup> Employed by Investor AB

<sup>4)</sup> 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, six ordinary meetings shall normally be held each year, in addition to the statutory meeting. The Board may also meet whenever circumstances demand. During 2014, the Board held one statutory meeting, seven ordinary meetings and three extraordinary meetings, for a total of eleven meetings. The majority of the Board meetings during 2014 were held in Stockholm. In September, a meeting was held in Linköping with focus on the development of Gripen E. In connection with a Board meeting in early October, where the focus was on the company's naval operations, the Board visited Saab Kockums in Malmö and the shipyard in Karlskrona.

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 Båremo, 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 in detail before the quarterly reports and year-end report. The Board regularly reviews and considers investments, research and development matters, organisational issues, mergers and acquisitions, and divestments of companies. The Board's annual work includes deciding on the company's business plan and strategy, which is normally resolved by the Board in June. The Board meeting every December considers the company's budget for the coming year. During 2014, the Board particularly addressed the acquisition of Saab Kockums and the company's naval operations. Furthermore, the Board 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.

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 on 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



Saab's Board of Directors visited Saab Kockums in Karlskrona in 2014.

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 2014.

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 about the audit of the annual report and group accounts, review and monitor the auditors' neutrality and independence, and assist the Nomination Committee in preparing proposals for the Shareholder Meeting's decision on election of 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, keeping 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 is co-opted to the meetings of the Audit Committee. During 2014, the Audit Committee focused on current issues involving the company's financial position, financial reporting, budget, internal control and questions related to the company's business ethical standards and also assisting 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 promptly distributed to the other members of the Board.

In 2014, the Committee held six 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 2014.

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 2014, the Remuneration Committee was particularly involved in issues related to the company's long-term incentive programme.

The Remuneration Committee keeps minutes of its meetings, which are promptly distributed to the other members of the Board. In 2014, the Committee held two ordinary meetings.

#### EVALUATION

The Chairman of the Board annually performs an evaluation of the Board's work and possible improvements in order to develop the forms and efficiency of the Board work. The evaluation is made by having the Board Members respond to a questionnaire on how well the Board and the Board work are functioning. The results are then 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 purpose of the evaluation is to understand the Board Members' opinion of the Board's work. The Chairman of the Board does not participate in the Board's discussion on the result of the evaluation of the Chairman. No external consultants are involved in the Board evaluation.

The Nomination Committee is also informed of the results of the evaluation in connection with its analysis, evaluation and proposal for the composition of the Board.

The Board continuously evaluates the President's work by monitoring business results in relation to established objectives. During 2014, the Board also evaluated the President's work by responding to a questionnaire about the President in the areas of performance,

#### ATTENDANCE AND BOARD REMUNERATION 2014

Name	Audit Committee	Remuneration Committee	Board meetings <sup>1)</sup>	Committee meetings <sup>2)</sup>	Board <sup>3)</sup>	Audit Committee	Remuneration Committee	Total kSEK
Marcus Wallenberg		x	11	2	1,230		80	1,310
Håkan Buskhe			11					
Johan Forssell	x		11	6	480	120		600
Sten Jakobsson		x	10	2	525		80	605
Sara Mazur			10		480			480
Per-Arne Sandström	x		11	6	480	180		660
Cecilia Stegö Chilö			11		480			480
Lena Treschow Torell		x	11	2	480		135	615
Joakim Westh	x		11	6	480	120		600

<sup>1)</sup> Of a total of 11 meetings in 2014.

<sup>2)</sup> Of a total of 6 meetings of the Audit Committee and 2 meetings of the Remuneration Committee in 2014.

<sup>3)</sup> Refers to the fee resolved by the Annual General Meeting 2014 for the period until the Annual General Meeting 2015. President and CEO Håkan Buskhe does not receive a fee.

organisation, people and leadership. The President does not participate in this evaluation.

## ⑥ PRESIDENT AND CEO

The President and CEO of Saab, Håkan Buskhe, is also a member of the Board. His significant professional commitments outside the company, earlier positions and shareholding are set forth in the presentation of the Board of Directors and the Group Management; see pages 60-62. 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 63-64.

## ⑦ AUDITOR

On behalf of the shareholders and in accordance with current laws and regulations, the external auditor examines the financial statements, group accounts, annual report, and administration and management of the company by the Board of Directors and the 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 elected as the new auditor by the Annual General Meeting 2011 for the period 2011-2015. Election of auditors will be held at the Annual General Meeting 2015.

### *PricewaterhouseCoopers (PwC)*

- Elected in 2011 for the term until the Annual General Meeting 2015.
- Håkan Malmström, Authorised Public Accountant, Auditor in charge. Other audit assignments: Axel Johnson, Karo Bio, NCC, Nordstjernan.
- Anna-Clara Af Ekenstam, Authorised Public Accountant. Other audit assignments: Swedish Cellulosa SCA AB and Knowit AB.

PricewaterhouseCoopers AB is a member of PwC's global network in around 150 countries. PwC has competence and experience in areas important to Saab: auditing of large and listed companies, accounting issues, industry experience and experience in 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 2014 in addition to its audit assignments, consisting of related consultations, including on accounting and tax issues.

## AUDITORS' FEES FOR THE GROUP, 2013-2014

MSEK	2014	2013
Audit assignments:		
PwC	18	16
Others	2	2
Other assignments:		
PwC	3	4

## THE BOARD'S REPORT ON INTERNAL CONTROL OF THE FINANCIAL REPORTING

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

### *Financial reporting*

The Board of Directors documents the manner in which it ensures the quality of the financial reports and how it communicates with the company's auditor.

The Board of Directors ensures the quality of financial accounting through its Audit Committee, according to the report submitted above. The Audit Committee considers not only critical accounting questions and the financial reports presented by the company, but also matters of internal control, regulatory compliance, potential material uncertainty in reported values, post-statement events, changes in assessments and evaluations and other circumstances that may affect the quality of the financial statements. The auditor participated in five of six meetings with the Audit Committee in 2014.

The entire Board of Directors reviews the interim reports before they are published.

The Board of Directors has met with the auditor to discuss their review of the company for the financial year 2014. The Board of Directors has also met on one occasion with the auditor without the presence of the President or any other members of the Group Management.

### *Internal control over financial reporting*

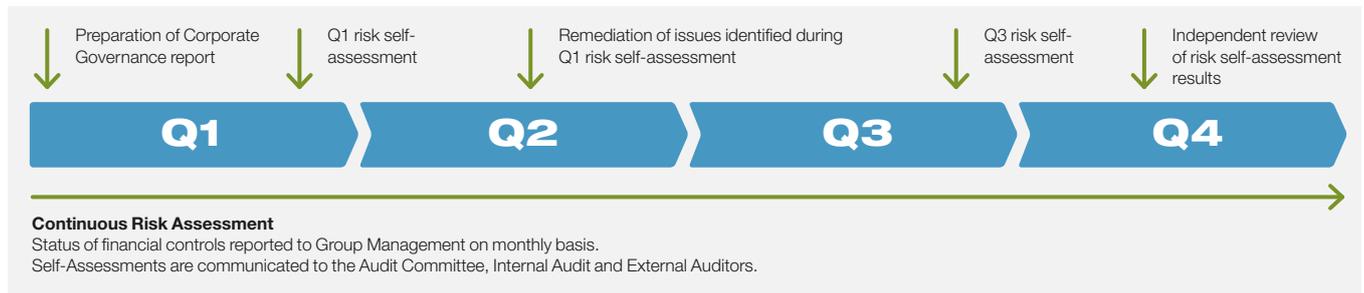
Saab's system of internal control is designed to assist the business in achieving its goals and managing associated risks. Internal control over financial reporting is part of all internal control processes within Saab, the framework for which is developed by the Committee of Sponsoring Organisations of the Treadway Commission (COSO). Internal control over financial reporting aims to provide reasonable assurance of the reliability of external financial reporting and to ensure that it is prepared in accordance with legislation, applicable accounting standards and other requirements for listed companies.

### *Control environment*

Delegation of responsibilities is based on the Board of Directors' rules of procedure and a directive which sets forth the roles, responsibilities and activities of the Board and the President.

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.

## THE ANNUAL ASSESSMENT PROCESS OF INTERNAL FINANCIAL CONTROLS



### 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. Sales are predominantly generated 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, leasing operations, taxes and accounting for pensions. In addition to business risks and risks of inaccurate financial reporting, the processes are also assessed on the basis of the risk of exposure to any improprieties.

Group Finance continuously coordinates an overall risk assessment of financial reporting. This process involves self-assessments by Group functions and business areas. The current risk assessment is reviewed with Saab's Internal Audit, which adjusts its annual audit plan accordingly. Information on developments in essential risk areas as well as a report on planned and executed activities in these areas are communicated regularly to Saab's Audit Committee. Saab's risk assessment is also communicated regularly to Saab's external auditors.

### Information, communication and control activities

Internal control within Saab is based on clearly defined areas of responsibility and authority, issued Group guidelines, processes and controls.

Uniform handling of financial reporting is assured by adopting and issuing Group guidelines approved by the President or by function managers appointed by the President. All Group directives are updated on an ongoing basis, are clearly communicated and are available on the internal website.

Each business area designs its risk management routines and structure for internal control based on overall routines and Group guidelines.

The most significant risks identified as regards financial reporting are managed through control structures within the business areas and Group functions and are based on Saab's minimum requirements for good internal control in the financial reporting processes.

### Monitoring and evaluation

All operating units report monthly and quarterly according to a standardised routine.

Quarterly reports are the basis of Saab's external financial reporting. In operating reports, each business area's measures of profitability and financial position are consolidated to measure

the Group's total profitability and financial position. Accounting managers and controllers are in regular contact with Group Finance concerning any questions related to finance and accounting.

To assist in evaluating internal control in each business area, Saab uses an annual self-assessment 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 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.

### Activities in 2014

In 2014, two self-assessments were performed in all business areas and in the Group's accounting units, tax and treasury. They were performed in late March and late September, after the close of each quarter. The self-assessments were followed up and reviewed to ensure their thoroughness. The results of the reviews were reported back to each business unit. A training session for management and personnel involved in the self-assessment process was held in March. The Group's Internal Audit unit has supported the self-assessment process.

All market areas implemented a simplified risk self-assessment process.

The results and status according to the self-assessment process were reported to the Finance Board, Group Management and Audit Committee. Implementation of the self-assessment process has continued in Saab's subsidiaries outside Sweden.

### Focus in 2015

The focus on internal control and self-assessments will continue in 2015. Efforts to further strengthen key control functions in sensitive business processes.

The self-assessment will be implemented on at least two occasions and involve all business areas and Group functions. An independent evaluation will be made at least once.

The self-assessment process will be implemented at Saab Kockums, which was acquired in 2014. Implementation of the self-assessment process will continue in Saab's subsidiaries outside Sweden.

The Internal Audit department will take an active role in monitoring Saab's anti-corruption processes and in the self-assessment process.

## 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, Stora Feldmühle AG, Düsseldorf, Skandinaviska Enskilda Banken, Stockholm and London, Citicorp (Hong Kong), Citibank N.A. (New York)



### HÅKAN BUSKHE

Member of the Board since April 2011  
President and Chief Executive Officer (CEO) of Saab AB  
Born 1963  
M.Sc., Licentiate of Engineering  
Employed 2010  
Shares in Saab: 47,436

#### Other board commitments:

Board member of Vattenfall AB and the Association of Swedish Engineering Industries (Teknikföretagen) until May 2014

#### Former employment and positions:

President and CEO of E.ON Nordic AB and E.ON Sweden AB, Executive Vice President of E.ON Sweden AB, Senior Vice President of E.ON Sweden AB, Chairman of the Board of Green Cargo, CEO of Land Operations, Schenker AG, Schenker North, Schenker-BTL AB, Stora, Carlsberg och Coca-Cola Distribution AB, Production Director for Carlsberg Sweden



### JOHAN FORSELL

Member of the Board since 2010  
Member of Saab's Audit Committee  
Member of the Management Group Investor AB, Head of Core Investments  
Born 1971  
M.Sc. in Finance, Stockholm School of Economics  
Shares in Saab: 7,000

#### Other board commitments:

Board member of Atlas Copco

#### Former employment and positions:

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  
Ph.D., Electrical Engineering, KTH Royal Institute of Technology

M.Sc., Electrical Engineering, KTH Royal Institute of Technology

Shares in Saab: 500

#### Other board commitments:

Member of the Strategic Advisory Board of the School of Electrical Engineering, KTH Royal Institute of Technology, 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 Royal Institute of Technology and Wireless@KTH, Royal Institute of Technology

## 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: 2,296



### 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: 58



### CONNY HOLM

Member of the Board since 2008 and Deputy Board member 1995–2008  
President of the local trade union IF Metall at business area Industrial Products and Services, Jönköping  
Born 1947  
Upper secondary engineering education  
Shares in Saab: 1,378

**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 TeliaSonera AB

**Former employment and positions:**

Deputy CEO and COO of L M Ericsson, President and CEO of 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 STEGÖ CHILÓ**

Member of the Board since 2010

Adviser to management of corporations and organisations

Born 1959

Studies in political science and economics

Shares in Saab: 600

**Other board commitments:**

Chairman of Gotlands Bryggeri AB, Deputy Chairman of Fortum Värme AB, Board member of Spendrups Bryggeri AB, Linköping University Holding AB, Investment AB Spiltan, the Expo Foundation and the Yump Foundation

**Former employment and positions:**

Board member of AMF Fonder, Länsförsäkringar Liv and Marginalen Kredit och 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, (KTH) Royal Institute of Technology, 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, Telelogic AB and VKR Holding A/S, Deputy Board member of Sony Ericsson Mobile Communications AB, Senior Vice President of Group Function Strategy & Operational Excellence at Ericsson and member of the Group Management Team, Ericsson, Group Vice President and member of the Executive Management Group of Assa Abloy AB, Partner at 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: 1,636

**JAN KOVACS**

Deputy Board member since 2008

President of the local salaried employees' union Unionen at Saab, Linköping

Born 1960

Upper secondary technical school

Shares in Saab: 1,885

**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: 698

## AUDITORS

PricewaterhouseCoopers AB

**HÅKAN MALMSTRÖM**

Authorised Public Accountant, Auditor in charge

**ANNA-CLARA AF EKENSTAM**

Authorised Public Accountant

# GROUP MANAGEMENT



## HÅKAN BUSKHE

President and Chief Executive Officer (CEO)  
Member of the Board of Saab AB since 2011  
Born 1963  
M.Sc., Licentiate of Engineering  
Employed 2010  
Shares in Saab: 47,436



## LENNART SINDAHL

Deputy CEO, Senior Executive Vice President  
Born 1956  
M.Sc. in Engineering  
Employed 1986  
Shares in Saab: 17,360



## MAGNUS ÖRNBERG

Executive Vice President and Chief Financial Officer (CFO)  
Born 1965  
MBA  
Employed 2012  
Shares in Saab: 4,256



## ULF NILSSON

Senior Vice President and Head of business area Aeronautics  
Born 1964  
M.Sc. in Engineering  
Employed 1989  
Shares in Saab: 3,482



## GÖRGEN JOHANSSON

Senior Vice President and Head of business area Dynamics  
Born 1964  
MBA  
Employed 2004  
Shares in Saab: 3,131

See also page 60.



## MICAEL JOHANSSON

Senior Vice President and Head of business area Electronic Defence Systems  
Born 1960  
B.Sc.  
Employed 1985  
Shares in Saab: 5,593



## 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: 24,133



## GUNILLA FRANSSON

Senior Vice President and Head of business area Security and Defence Solutions  
Born 1960  
M.Sc. and Ph.D. (Tec. Lic.)  
Employed 2008  
Shares in Saab: 7,292



## JONAS HJELM

Senior Vice President and Head of business area Support and Services  
Born 1971  
Employed 2006  
Shares in Saab: 6,668



## ANNIKA BÅREMO

Senior Vice President and Head of Group Legal Affairs, General Counsel, Secretary of the Board of Directors  
Born 1964  
LLB  
Employed 2012  
Shares in Saab: 2,318



## LENA ELIASSON

Senior Vice President and Head of Group Human Resources  
Born 1967  
M.Sc. in Engineering  
Employed 2012  
Shares in Saab: 4,080



## ÅSA THEGSTRÖM

Senior Vice President and Head of Group Communication  
Born 1966  
Technical college engineer  
Employed 1990  
Shares in Saab: 1,002

# ADMINISTRATION REPORT

## OTHER INFORMATION

### **GUIDELINES FOR REMUNERATION AND OTHER TERMS OF EMPLOYMENT FOR SENIOR EXECUTIVES 2014**

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 2014 adopted the Board's proposed guidelines for senior executives as described below.

The senior executives comprise the President and CEO and other members of the Group Management. The members of this group are presented on the company's website. 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 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 2014.

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

The President and CEO and senior executives are entitled to participate in the long-term incentive

programmes adopted by the Shareholders' Meeting. One-off agreements 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 can include 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 and CEO the provision is limited to 35 per cent of fixed salary. For other senior executives the percentage is based on "Saab Plan" regulation. According to this plan, the percentage is dependent on the number of years remaining until retirement age upon joining the plan. The aggregate insurance balance should cover a targeted pension from age 65 of approximately 32.5 per cent of salary levels between 20 and 30 basic income amounts and approximately 50 per cent of segments above 30 basic income amounts.

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

#### *Miscellaneous terms*

All Group Management executives, including the President and CEO, 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 signed after 1 January 2005 that are terminated by Saab, a severance is payable for a maximum of 18 months following a six-month notice period.

In both cases, any income from other employment is deducted from severance.

# ADMINISTRATION REPORT

## OTHER INFORMATION

### *Consultant fees to Board Members*

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

### **INFORMATION IN THE ANNUAL REPORT**

#### **NOTE 37**

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

### **INCENTIVE PROGRAMMES PROPOSED TO THE ANNUAL GENERAL MEETING 2014**

The Board of Directors proposed that the Annual General Meeting 2014 resolve to adopt a long-term incentive programme 2014 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 2015**

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 2014, and the current remuneration structures and remuneration levels in the company.

The Remuneration Committee has recommended that the Board of Directors propose that the Annual General Meeting approve remuneration guidelines with terms and conditions identical to those that were adopted by the Annual General Meeting 2014. In light of the above, the Board of Directors proposes that the Annual General Meeting 2015 adopt guidelines for remuneration and other terms of employment for senior executives with terms and conditions identical to those resolved at the Annual General Meeting 2014; see above.

### **INCENTIVE PROGRAMMES PROPOSED TO THE ANNUAL GENERAL MEETING 2015**

The Board of Directors propose that the Annual General Meeting resolve to adopt a long-term incentive programme 2015 consisting of two parts: Share Matching Plan 2015 and Performance Share Plan 2015. The terms and estimated costs for Share Matching Plan 2015 and Performance Share Plan 2015 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**

In April 2007, Saab's Annual General Meeting resolved to offer permanent employees the opportunity to participate in a voluntary share matching plan under which they can purchase Saab Series B shares on Nasdaq Stockholm over a 12-month period. Purchases are made through deductions of between 1 and 5 per cent of the employee's monthly salary. If the employee retains the purchased shares for three years after the investment date and is still employed by the Saab Group, the employee will be allotted a corresponding number of Series B shares free of charge. The plan was introduced in autumn 2007 in Sweden and Norway. In 2008, it was expanded to include employees in Denmark, Germany, the UK, the US, Switzerland and Australia. South Africa was included in 2009, Finland in 2010, Czech Republic in 2011, India in 2012, and Thailand, Holland and Canada in 2013.

In April 2008, Saab's Annual General Meeting resolved to introduce a performance-based plan for senior executives and key employees entitling them to 2–5 matching shares depending on the category to which the employee belongs. In addition to the requirement that the employee remain employed by Saab after three years, earnings per share must grow by an annual average of 5 to 15 per cent during the three-year period. Participants in this programme may allocate a maximum of 7.5 per cent of their fixed gross salary to purchase Saab Series B shares. The Annual General Meetings held from 2009–2013 resolved to renew the Share Matching Plan and Performance Share Plan. As of 2011 the Share Matching Plan covers all employees, including senior executives and key persons. The

Performance Share Plans for 2011 to 2013 (solely for senior executives and key persons) entitle participants to 1–4 matching shares, depending on the category to which the employee belongs.

The Annual General Meeting held on 8 April 2014 resolved in accordance with the Board's proposal to adopt a long-term incentive programme 2014 (LTI 2014), consisting of a Share Matching Plan 2014 and a Performance Share Plan 2014. Share Matching Plan 2014 is unchanged from previous years' programmes. Performance Share Plan 2014 was modified to attract and retain talented employees on competitive terms as well as to better reflect Saab's business strategy and financial targets. The Performance Share Plan covers a maximum of 175 key people, including the President and CEO. Participants can save up to 7.5 percent of their base salary to purchase Series B shares over twelve months. Investments made under this programme also count as a basis for participation in the Share Matching Plan 2014, up to a maximum of 5 per cent of base salary. If the purchased shares are retained by the employee for three years and they remain employed by the Saab Group, the employee will be entitled to matching performance shares, free of consideration, provided that the performance targets are met. The programme gives the employee the right to 2-7 performance shares for each purchased share. 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: organic sales growth, EBIT margin and operating cash flow<sup>1)</sup> during the financial year 2015. 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 operating 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 measuring period, i.e., the financial year 2015. If the maximum levels for the performance targets are reached or exceeded, the performance matching will amount to (and not exceed) the maximum number of 440,000 shares. If the performance outcome falls

short of the maximum level but exceeds the minimum level, a linear proportioned performance matching will occur. No performance matching will occur if the performance outcome amounts to or falls short of the minimum level. Performance shares are allotted three years after the investment, i.e., normally during 2018 and in January 2019.

The Annual General Meeting 2014 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 2014, mainly social security costs. Repurchases may be effected on Nasdaq Stockholm. On 5 June 2014, Saab announced that the Board of Directors had decided to exercise this authorisation and during the period 21 July to 17 September 2014 purchased a total of 1 340 000 Series B shares on Nasdaq Stockholm at a cost of MSEK 252.

Furthermore, the Annual General Meeting 2014 also 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 2014, the Board of Directors has not made any decisions regarding exercise of this repurchase mandate.

Both repurchase mandates apply until the Annual General Meeting 2015.

<sup>1)</sup> As of 1 January 2014, free cash flow is reported by the Group. It was previously named as operating cash flow. Performance targets tied to cash flow in Performance Share Plan 2014 is named as "operating cash flow" in accordance with the Annual General Meeting's resolution. In its proposal for Performance Share Plan 2015, the Board of Directors has suggested that the performance target named in the 2014 programme as "operating cash flow" instead be named as "free cash flow" in the 2015 programme.

## FINANCIAL STATEMENTS AND NOTES

### FINANCIAL STATEMENTS

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## CONSOLIDATED INCOME STATEMENT

MSEK	Note	2014	2013
Sales	3, 4	23,527	23,750
Cost of goods sold		-17,450	-17,422
<b>Gross income</b>		<b>6,077</b>	<b>6,328</b>
Other operating income	5	430	204
Marketing expenses		-2,144	-2,082
Administrative expenses		-1,214	-1,111
Research and development costs		-1,487	-1,762
Other operating expenses	6	-21	-257
Share in income of associated companies and joint ventures	21	18	25
<b>Operating income</b>	10, 11, 12	<b>1,659</b>	<b>1,345</b>
Financial income		103	62
Financial expenses		-239	-428
<b>Net financial items</b>	13	<b>-136</b>	<b>-366</b>
<b>Income before taxes</b>		<b>1,523</b>	<b>979</b>
Taxes	15	-355	-237
<b>Net income for the year</b>		<b>1,168</b>	<b>742</b>
Attributable to:			
Parent Company's shareholders		1,153	741
Non-controlling interest		15	1
Earnings per share before dilution (SEK)	34	10.86	6.98
Earnings per share after dilution (SEK)	34	10.78	6.79

### ORDERS

Order bookings were lower in 2014 than in 2013 mainly due to the development and production orders of Gripen E, amounting to SEK 29.8 billion, that Saab received in 2013. During 2014 an order of SEK 5.8 billion concerning support and maintenance equipment for Gripen E was received.

In all, 80 per cent (87) of order bookings were attributable to defence-related operations and 45 per cent (30) were attributable to customers outside Sweden.

During 2014, index and price changes had a positive effect on order bookings of MSEK 346 compared to MSEK 97 during 2013.

Orders received, where the total order value exceeded MSEK 100, represented 61 per cent (80) of total order bookings.

The order backlog at the end of the period amounted to MSEK 60,128 compared to MSEK 59,870 at the beginning of the year.

Order backlog duration:  
2015: SEK 17.8 billion  
2016: SEK 10.2 billion  
2017: SEK 5.7 billion  
2018: SEK 5.6 billion  
After 2018: SEK 20.8 billion

### SALES

During 2014, sales declined 1 per cent compared to 2013.

Acquisitions and the deconsolidation of Saab Grintek Technologies (Pty) Ltd had a positive effect of 2 per cent. Currency effects had no material impact on sales.

Sales in markets outside of Sweden amounted to MSEK 13,015 (13,936), or 55 per cent (59), of total sales.

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

### SALES BY MARKET REGION

MSEK	Jan-Dec 2014	Jan-Dec 2013
Sweden	10,512	9,814
EU excluding Sweden	3,770	3,933
Rest of Europe	592	621
Americas	2,895	2,987
Asia	4,007	4,311
Africa	573	930
Australia, etc.	1,178	1,154
<b>Total</b>	<b>23,527</b>	<b>23,750</b>

### SALES BY MARKET SEGMENTS

MSEK	Jan-Dec 2014	Jan-Dec 2013
Air	10,481	10,693
Land	5,240	6,462
Naval	3,192	2,292
Civil Security	2,330	1,979
Commercial Aeronautics	1,838	1,615
Other	446	709
<b>Total</b>	<b>23,527</b>	<b>23,750</b>

### INCOME, MARGIN AND PROFITABILITY

The gross margin during 2014 amounted to 25.8 per cent (26.6) and was lower than 2013, mainly due to a changed product and project mix. Total depreciation, amortisation and write-downs amounted to MSEK 872 (1,047). Depreciation and write-downs of tangible fixed assets amounted to MSEK 398 (398) while depreciation of the leasing fleet amounted to MSEK 8 (25).

Total investments in research and development (R&D) amounted to MSEK 5 970 (6 543). Internally funded expenditures in R&D amounted to MSEK 1,338 (1,332), of which a total of MSEK 171 (24) was capitalised. The internally funded investments within radar and sensor technology development continued during the year, and capitalisation was at a higher level than during 2013 as orders were received in this area.

Amortisation of intangible fixed assets amounted to MSEK 466 (624), of which amortisation of capitalised development expenditures amounted to MSEK 320 (454).

The share of income in associated companies and joint ventures amounted to MSEK 18 (25).

The operating income amounted to MSEK 1,659 (1,345) with an operating margin of 7.1 per cent (5.7). The operating income adjusted for non-recurring items amounted to MSEK 1,566 (1,576) and the operating margin was 6.7 per cent (6.6). The operating income for 2014 was impacted by a non-recurring item of MSEK 93 concerning a capital gain related to the divestment of a minority shareholding in

Hawker Pacific Airservices Ltd. 2013 was negatively impacted by a non-recurring item amounting to MSEK 231 as a result of a lost legal dispute.

ThyssenKrupp Marine Systems (Saab Kockums) was acquired in July 2014. At that time the business had a declining order backlog, low activity level and poor profitability. The takeover, and hence new business conditions, had a positive impact on the operating income in 2014.

During 2014, reversal of risk provisions relating to Saab's leasing fleet of turbo prop aircraft (SAL), contributed positively to the operating income. The positive impact was at the same level as for 2013.

During the fourth quarter, an agreement for the right of use of an IT platform developed by Saab, had a positive effect on the operating income.

During the year, the divestment of a Group company, whose assets were mainly related to property, had a positive impact on the operating income.

The implementation of the efficiency measures that were initiated during 2013 were finished in 2014 as the objective of efficiencies of approximately MSEK 500 were reached, mainly through capacity adjustments.

Current and deferred taxes amounted to MSEK -355 (-237), the equivalent to an effective tax rate of 23 per cent (24).

The pre-tax return on capital employed was 11.1 per cent (9.1) and the after-tax return on equity was 9.9 per cent (6.3), both measured over a rolling 12-month period.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MSEK	2014	2013
<b>Net income for the year</b>	<b>1,168</b>	<b>742</b>
Other comprehensive income:		
Items that will not be reversed in the income statement:		
Revaluation of net pension obligations	-1,220	1,255
Tax attributable to revaluation of net pension obligations	266	-285
<b>Total</b>	<b>-954</b>	<b>970</b>
Items that may be reversed in the income statement:		
Translation differences	517	-132
Net loss on available-for-sale financial assets	27	-
Net gain/loss on cash flow hedges:		
Change in value	-1,140	-174
Reversed through profit and/or loss	-23	-81
Tax attributable to net gain/loss on cash flow hedges	253	59
<b>Total</b>	<b>-366</b>	<b>-328</b>
<b>Other comprehensive income</b>	<b>-1,320</b>	<b>642</b>
<b>Net comprehensive income for the year</b>	<b>-152</b>	<b>1,384</b>
of which Parent Company's shareholders' interest	-167	1,399
of which non-controlling interest	15	-15

Revaluation of net pension obligations has had a pre-tax effect of MSEK -1,220 (1,255) on net comprehensive income for the year, see note 37 for more information. The after-tax effect of net gain/losses of cash flow hedges on net comprehensive income amounted to MSEK -910 (-196), see note 41 for more information.

### FINANCIAL NET

The financial net related to pensions is the financial cost for net pension liabilities recognised in the balance sheet; see note 37, for more information regarding defined-benefit pension plans.

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

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

Other net financial items consist of costs attributable to the programme for the sale of accounts receivables, unrealised results from the market valuation of short-term investments, project interest and other currency effects, for example changes related to liquid assets in currencies other than SEK. In 2013, a non-recurring item of MSEK 83, relating to a lost legal dispute, was reported in financial net.

In 2013, Saab invested in the Indian company Pipavav Defence and Offshore Engineering Company Limited. A combination of negative currency effects and share price development resulted in a value decline of MSEK 133 in 2013 and MSEK 19 in 2014, which are recognised in financial net.

### FINANCIAL NET

MSEK	Jan-Dec 2014	Jan-Dec 2013
Financial net related to pensions	-57	-74
Net interest items	7	23
Currency gains/losses	-5	-26
Other net financial items	-81	-289
<b>Total</b>	<b>-136</b>	<b>-366</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MSEK	Note	Opening balance		
		31-12-2014	31-12-2013	2013
<b>ASSETS</b>				
Intangible fixed assets	16	6,351	6,340	6,849
Tangible fixed assets	17	3,702	3,239	3,162
Lease assets	18	-	197	304
Biological assets	19	289	296	306
Investment properties	20	33	31	33
Shares in associated companies and joint ventures	21	397	367	759
Financial investments	25	292	295	193
Long-term receivables	27	152	122	136
Deferred tax assets	15	656	239	213
<b>Total fixed assets</b>		<b>11,872</b>	<b>11,126</b>	<b>11,955</b>
Inventories	28	5,819	4,563	4,420
Derivatives	41	469	396	514
Tax assets		60	62	39
Accounts receivable	29	3,414	3,295	3,449
Other receivables	27	4,255	3,727	2,228
Prepaid expenses and accrued income	30	1,113	854	867
Short-term investments	25	1,270	2,002	3,963
Liquid assets	31	1,284	1,764	1,616
<b>Total current assets</b>		<b>17,684</b>	<b>16,663</b>	<b>17,096</b>
Assets held for sale	32	-	-	-
<b>TOTAL ASSETS</b>		<b>29,556</b>	<b>27,789</b>	<b>29,051</b>

2013 has been restated according to the changed accounting principles for joint arrangements (IFRS 11). See note 22 for more information.

### STATEMENT OF FINANCIAL POSITION

At the end of December 2014, the net liquidity amounted to MSEK -2,113; a decrease of MSEK -2,926 during 2014 compared to the year-end liquidity for 2013.

Cash flow from operating activities amounted to MSEK -713. Provisions for pensions, excluding special employers' contribution, as of 31 December 2014 amounted to MSEK 2,528, compared to MSEK 1,389 at year-end 2013, and had a negative impact of MSEK 1,139 on net liquidity. The increase in provisions was mainly due to the decrease in the discount rate used in the valuation of pension obligations from 4.00 per cent to 2.50 per cent during the period. This was partly mitigated by a strong return on plan assets and by the amendment of the inflation assumption for calculating the pension obligation from 2.00 per cent to 1.50 per cent. For more information about Saab's defined benefit plans, see note 37.

During 2014, net liquidity was negatively impacted by net investments amounting to approximately MSEK 381, by dividend to shareholders of MSEK 479 and repurchase of own shares of MSEK 252.

Currency exchange rate differences in liquid assets and unrealised results from financial investments had a positive impact on net liquidity of MSEK 43. Dividend to non-controlling interest amounted to MSEK 5.

In 2009, Saab changed its view on the application of accounting principles for development costs. As a result of this more conservative view, development costs are capitalised at a later stage in all projects and all capitalised development costs are amortised over a maximum period of ten years. Capitalised development costs have been reduced from MSEK 3,628 at the end of 2008 to MSEK 952 at the end of 2014.

Inventories increased during 2014 due to larger projects. Inventories are recognised after deducting utilised advances.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MSEK	Note	31-12-2014	31-12-2013	Opening balance 2013
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>	33			
Capital stock		1,746	1,746	1,746
Other capital contributions		543	543	543
Other reserves		-363	4	316
Retained earnings		9,365	9,843	8,563
<b>Equity attributable to Parent Company's shareholders</b>		<b>11,291</b>	<b>12,136</b>	<b>11,168</b>
<b>Non-controlling interest</b>		<b>82</b>	<b>91</b>	<b>112</b>
<b>Total equity</b>		<b>11,373</b>	<b>12,227</b>	<b>11,280</b>
<b>Liabilities</b>				
Long-term interest-bearing liabilities	35	2,105	1,095	105
Other liabilities	39	141	179	315
Provisions for pensions	37	3,149	1,680	2,874
Other provisions	38	1,234	1,043	1,286
Deferred tax liabilities	15	48	501	184
<b>Total long-term liabilities</b>		<b>6,677</b>	<b>4,498</b>	<b>4,764</b>
Short-term interest-bearing liabilities	35	264	718	1,968
Advance payments from customers		856	818	553
Accounts payable		1,840	1,918	1,904
Derivatives	41	1,400	316	254
Tax liabilities		47	61	228
Other liabilities	39	978	839	760
Accrued expenses and deferred income	40	5,609	5,735	6,775
Provisions	38	512	659	565
<b>Total current liabilities</b>		<b>11,506</b>	<b>11,064</b>	<b>13,007</b>
Liabilities attributable to assets held for sale	32	-	-	-
<b>Total liabilities</b>		<b>18,183</b>	<b>15,562</b>	<b>17,771</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>29,556</b>	<b>27,789</b>	<b>29,051</b>

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

2013 has been restated according to the changed accounting principles for joint arrangements (IFRS 11). See note 22 for more information.

## 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 2013	1,746	543	531	-226	11	8,563	11,168	112	11,280
<b>Net comprehensive income for the year</b>			-185	-127	-	1,711	1,399	-15	1,384
<b>Transactions with shareholders:</b>									
Share matching plan	-	-	-	-	-	46	46	-	46
Dividend	-	-	-	-	-	-477	-477	-1	-478
Acquisition and sale of non-controlling interest	-	-	-	-	-	-	-	-5	-5
<b>Closing balance, 31 December 2013</b>	<b>1,746</b>	<b>543</b>	<b>346</b>	<b>-353</b>	<b>11</b>	<b>9,843</b>	<b>12,136</b>	<b>91</b>	<b>12,227</b>
Opening balance, 1 January 2014	1,746	543	346	-353	11	9,843	12,136	91	12,227
<b>Net comprehensive income for the year</b>			-908	514	27	200	-167	15	-152
<b>Transactions with shareholders:</b>									
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
<b>Closing balance, 31 December 2014</b>	<b>1,746</b>	<b>543</b>	<b>-562</b>	<b>161</b>	<b>38</b>	<b>9,365</b>	<b>11,291</b>	<b>82</b>	<b>11,373</b>

For a definition of other reserves, see note 33.

## CONSOLIDATED STATEMENT OF CASH FLOWS

MSEK	Note	2014	2013
<b>Operating activities</b>			
Income after financial items		1,523	979
Adjustments for items not affecting cash flow	46	725	1,224
Income tax paid		-394	-368
<b>Cash flow from operating activities before changes in working capital</b>		<b>1,854</b>	<b>1,835</b>
<b>Cash flow from changes in working capital</b>			
Increase (-)/Decrease (+) in inventories		-856	-147
Increase (-)/Decrease (+) in current receivables		-282	-1,346
Increase (+)/Decrease (-) in advance payments from customers		21	278
Increase (+)/Decrease (-) in other current liabilities		-914	-1,005
Increase (+)/Decrease (-) in provisions		-536	-277
<b>Cash flow from operating activities</b>		<b>-713</b>	<b>-662</b>
<b>Investing activities</b>			
Investments in intangible fixed assets		-68	-44
Capitalised development costs		-171	-24
Investments in tangible fixed assets		-732	-543
Sale of tangible fixed assets		15	46
Sale of lease assets		105	81
Sale of and investments in short-term investments		720	1,936
Dividend from joint ventures		-	430
Investments in other financial assets		-	-248
Sale of other financial assets		40	10
Investments in operations and associated companies, net effect on liquidity	8, 46	152	-68
Sale of subsidiaries and associated companies, net effect on liquidity	46	299	-
<b>Cash flow from investing activities</b>		<b>360</b>	<b>1,576</b>
<b>Financing activities</b>			
Repayment of loans		-468	-1,100
Raising of loans		1,000	845
Repurchase of shares		-252	-
Dividend paid to Parent Company's shareholders		-479	-477
Dividend paid to non-controlling interests		-5	-1
<b>Cash flow from financing activities</b>		<b>-204</b>	<b>-733</b>
<b>CASH FLOW FOR THE YEAR</b>	<b>46</b>	<b>-557</b>	<b>181</b>
Liquid assets at beginning of year		1,764	1,616
Exchange rate difference in liquid assets		77	-33
<b>Liquid assets at year-end</b>	<b>46</b>	<b>1,284</b>	<b>1,764</b>

2013 has been restated according to the changed accounting principles for joint arrangements (IFRS 11), see note 22 for more information.

### CAPITAL EXPENDITURES

Gross capital expenditures in property, plant and equipment, amounted to MSEK 732 (543). Expenditures were higher partly due to investments in a new plant in Linköping.

Investments in intangible assets amounted to MSEK 239 (68), of which MSEK 171 (24) was related to capitalised development costs, mainly within radar and sensor technology, and MSEK 68 (44) to other intangible assets.

### CASH FLOW

As of 2014, operational cash flow is reported by business area as opposed to previously when free cash flow was reported by business area and named operating cash flow.

Cash flow from operating activities excluding taxes and other financial items amounted to MSEK -346 (-155), see note 46.

During the second quarter of 2013, payments of MSEK 314 relating to a lost legal dispute were made.

Saab has an established programme to sell accounts receivable to strengthen its financial position and increase financial flexibility. As of 31 December 2014, net receivables of MSEK 1,071 were sold, compared to MSEK 555 as of 31 December 2013.

This had a positive impact on the cash flow of MSEK 516 from operating activities during 2014.

The operational cash flow amounted to MSEK -1,197 (-639). It is defined as cash flow from operating activities, excluding taxes and other financial items, acquisitions and divestments of intangible assets, tangible assets and lease assets. The lower level of operational cash flow in 2014 compared to 2013 is mainly attributable to investments, timing differences in invoicing, milestone deliveries and payments.

Free cash flow amounted to MSEK -1,094 (-1,460). For more detailed information about the free cash flow, see note 46.

## PARENT COMPANY INCOME STATEMENT

MSEK	Note	2014	2013
Sales	3, 4	16,175	16,521
Cost of goods sold		-11,869	-12,556
<b>Gross income</b>		<b>4,306</b>	<b>3,965</b>
Marketing expenses		-1,365	-1,368
Administrative expenses		-730	-680
Research and development costs		-1,170	-1,088
Other operating income	5	170	87
Other operating expenses	6	-11	-254
<b>Operating income</b>		<b>1,200</b>	<b>662</b>
Result from financial items:	13		
Result from shares in Group companies		554	875
Result from shares in associated companies and joint ventures		194	8
Result from other securities and receivables held as fixed assets		-67	-180
Other interest income and similar items		205	195
Interest expenses and similar items		-180	-191
<b>Income after financial items</b>		<b>1,906</b>	<b>1,369</b>
Appropriations	14	-419	-284
<b>Income before taxes</b>		<b>1,487</b>	<b>1,085</b>
Taxes	15	-317	-200
<b>Net income for the year</b>		<b>1,170</b>	<b>885</b>

### SALES AND INCOME

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

The Parent Company's sales in 2014 amounted to MSEK 16,175 (16,521). Operating income was MSEK 1,200 (662).

Net financial income and expenses was MSEK 706 (707). After appropriations of MSEK -419 (-284) and taxes of MSEK -317 (-200), net income for the year amounted to MSEK 1,170 (885).

## PARENT COMPANY COMPREHENSIVE INCOME

MSEK	Note	2014	2013
<b>Net income for the year</b>		<b>1,170</b>	<b>885</b>
Other comprehensive income		-	-
<b>Net comprehensive income for the year</b>		<b>1,170</b>	<b>885</b>

## PARENT COMPANY BALANCE SHEET

MSEK	Note	31-12-2014	31-12-2013
<b>ASSETS</b>			
<b>Fixed assets</b>			
Intangible fixed assets	16	1,117	1,392
Tangible fixed assets	17	2,574	2,279
Financial fixed assets:			
Shares in Group companies	44	6,764	6,471
Receivables from Group companies	24	865	747
Shares in associated companies and joint ventures	23	135	137
Other long-term securities holdings	26	137	136
Other long-term receivables	27	25	22
Deferred tax assets	15	131	182
<b>Total financial fixed assets</b>		<b>8,057</b>	<b>7,695</b>
<b>Total fixed assets</b>		<b>11,748</b>	<b>11,366</b>
<b>Current assets</b>			
Inventories, etc.	28	4,490	3,653
Current receivables:			
Accounts receivable	29	1,826	1,489
Receivables from Group companies		2,838	2,183
Receivables from associated companies and joint ventures		9	15
Other receivables	27	2,784	2,315
Prepaid expenses and accrued income	30	794	736
<b>Total current receivables</b>		<b>8,251</b>	<b>6,738</b>
Short-term investments		1,270	1,990
Cash and bank balances		377	1,268
<b>Total current assets</b>		<b>14,388</b>	<b>13,649</b>
<b>TOTAL ASSETS</b>		<b>26,136</b>	<b>25,015</b>

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

The Parent Company's net debt amounted to MSEK 2,577 at 31 December 2014 compared to MSEK 984 at 31 December 2013.

Gross capital expenditures in property, plant and equipment amounted to MSEK 551 (387). Investments in intangible assets amounted to MSEK 63 (63). At the end of the year, the Parent Company had 8,695 employees, compared to 8,781 at the beginning of the year.

## PARENT COMPANY BALANCE SHEET

MSEK	Note	31-12-2014	31-12-2013
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	33		
Restricted equity:			
Capital stock		1,746	1,746
Revaluation reserve		694	700
Statutory reserve		543	543
Unrestricted equity:			
Retained earnings		4,316	4,107
Net income for the year		1,170	885
<b>Total equity</b>		<b>8,469</b>	<b>7,981</b>
<b>Untaxed reserves</b>	45	<b>1,979</b>	<b>1,560</b>
<b>Provisions</b>			
Provisions for pensions and similar commitments	37	140	219
Other provisions	38	638	832
<b>Total provisions</b>		<b>778</b>	<b>1,051</b>
<b>Liabilities</b>			
Liabilities to credit institutions	36	2,000	1,000
Liabilities to Group companies		5,921	5,827
Advance payments from customers		439	393
Accounts payable		1,301	1,390
Liabilities to associated companies and joint ventures		244	33
Tax liabilities		17	28
Other liabilities	39	821	933
Accrued expenses and deferred income	40	4,167	4,819
<b>Total liabilities</b>		<b>14,910</b>	<b>14,423</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>26,136</b>	<b>25,015</b>
Assets pledged	42	-	10
Contingent liabilities	42	4,551	3,992

## 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 2013	1,746	707	543	4,531	-	7,527
<b>Items reported directly in equity:</b>						
Change in revaluation reserve	-	-7	-	7	-	-
<b>Net comprehensive income for the year</b>	-	-	-	-	885	885
<b>Transactions with shareholders:</b>						
Dividend to shareholders	-	-	-	-477	-	-477
Share matching plan	-	-	-	46	-	46
<b>Closing balance, 31 December 2013</b>	<b>1,746</b>	<b>700</b>	<b>543</b>	<b>4,107</b>	<b>885</b>	<b>7,981</b>
Opening balance, 1 January 2014	1,746	700	543	4,992	-	7,981
<b>Items reported directly in equity:</b>						
Change in revaluation reserve	-	-6	-	6	-	-
<b>Net comprehensive income for the year</b>	-	-	-	-	1,170	1,170
<b>Transactions with shareholders:</b>						
Dividend to shareholders	-	-	-	-479	-	-479
Repurchase of shares	-	-	-	-252	-	-252
Share matching plan	-	-	-	50	-	50
<b>Closing balance, 31 December 2014</b>	<b>1,746</b>	<b>694</b>	<b>543</b>	<b>4,316</b>	<b>1,170</b>	<b>8,469</b>

## PARENT COMPANY STATEMENT OF CASH FLOWS

MSEK	Note	2014	2013
Operating activities			
Income after financial items		1,906	1,369
Adjustments for items not affecting cash flow	46	182	614
Income tax paid		-277	-283
<b>Cash flow from operating activities before changes in working capital</b>		<b>1,811</b>	<b>1,700</b>
Cash flow from changes in working capital			
Increase(-)/Decrease(+) in inventories		-926	-146
Increase(-)/Decrease(+) in current receivables		2,184	-1,175
Increase(+)/Decrease(-) in advance payments from customers		45	103
Increase(+)/Decrease(-) in other current liabilities		-3,488	-775
Increase(+)/Decrease(-) in provisions		-193	-216
<b>Cash flow from operating activities</b>		<b>-567</b>	<b>-509</b>
Investing activities			
Shareholders' contributions paid		-30	-27
Investments in intangible fixed assets		-63	-70
Investments in tangible fixed assets		-551	-386
Sale of tangible fixed assets		11	36
Sale of and investments in short-term investments		708	1,936
Investments in financial assets		-122	-250
Sale of financial assets		4	113
Investments in subsidiaries		-341	-29
Sale of subsidiaries and associated companies		375	-
<b>Cash flow from investing activities</b>		<b>-9</b>	<b>1,323</b>
Financing activities			
Change in receivables/liabilities from Group companies		-839	-763
Raising of loans		1,000	346
Repayment of loans		-160	-1,100
Repurchase of shares		-252	-
Dividend paid to shareholders		-479	-477
Group contributions and dividends received		415	1,499
<b>Cash flow from financing activities</b>		<b>-315</b>	<b>-495</b>
<b>CASH FLOW FOR THE YEAR</b>			
Liquid assets at beginning of year		1,268	949
<b>Liquid assets at year-end</b>	46	<b>377</b>	<b>1,268</b>

## 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 2014: Aeronautics, Dynamics, Electronic Defence Systems, Security and Defence Solutions, Support and Services, and Combitech. The operations in each business area are described in note 4.

As of 1 January 2015, Saab's operations are divided into six business areas: Aeronautics, Dynamics, Electronic Defence Systems, Security and Defence Solutions, Support and Services, and Industrial Products and Services. The new business area Industrial Products and Services includes the independent consultancy firm Combitech, the business units Aerostructures (previously in business area Aeronautics) and Avionics Systems (previously in business area Electronic Defence Systems), Saab Ventures and a development project, previously included in Saab Corporate.

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

On 16 February 2015, the Board of Directors and the President approved this annual report and consolidated accounts for publication, and they will be presented to the Annual General Meeting on 15 April 2015 for adoption.

### CONFORMITY TO STANDARDS AND LAWS

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as approved by the EU. The consolidated accounts have also been prepared in accordance with the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups, which contains certain additional disclosure requirements for Swedish consolidated accounts prepared in accordance with IFRS.

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

### ASSUMPTIONS IN THE PREPARATION OF THE FINANCIAL REPORTS

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

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

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

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

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

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

The accounting principles described below for the Group have been applied

consistently for all periods presented in the Group's financial reports, unless otherwise indicated below.

### APPLICATION OF NEW AND REVISED ACCOUNTING RULES

IASB and IFRIC have issued and the EU has adopted the following new and revised standards, which apply as of the fiscal year 2014:

- IFRS 10 Consolidated Financial Statements, additional guidance for situations where control is difficult to assess.
- IFRS 11 Joint Arrangements, focusing on rights and obligations rather than an arrangement's legal structure. There are two types of joint arrangements: joint operations and joint ventures. Joint operations are recognised based on the holder's share of assets, liabilities, revenue and expenses. Joint ventures are recognised according to the equity method. The proportional method is no longer permitted.
- IFRS 12 Disclosure of Interests in Other Entities, comprising disclosure requirements for subsidiaries, joint arrangements, associated companies and unconsolidated structured entities.
- IAS 28 (amended 2011) Investments in Associates and Joint Ventures, containing requirements on the recognition of joint ventures and associated companies according to the equity method.
- Amendments to IAS 32 Financial Instruments: Presentation, IAS 36 Impairment of Assets, and IAS 39 Financial Instruments: Recognition and Measurement will, for Saab's part, only lead to minor changes to disclosures.

The effects of amendments to IFRS 11 are reported in the annual report for 2013 and in note 22 in this annual report. Other new and amended standards and interpretations have not had a material effect on the Group's financial reports for 2014.

### 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 2017 (not adopted by EU)

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 not yet evaluated the effects of the introduction of the standard.

### OPERATING SEGMENTS

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

The Group had six reportable segments in the year:

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

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

Sales of goods and services between segments are made on market terms. A detailed description of the segments, together with the factors used to identify segments, can be found in note 4 and on pages 42–48.

As of 1 January 2015, Saab's operations are divided into the following six business areas: Aeronautics, Dynamics, Electronic Defence Systems, Security and Defence Solutions, Support and Services, and Industrial Products and Services, which will also be reported as operating segments. See note 50 for more information.

#### CLASSIFICATION OF ASSETS AND LIABILITIES

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

#### CONSOLIDATION PRINCIPLES

##### Group companies

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

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

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

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

##### Associated companies and joint ventures

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 of 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.

##### Eliminated transactions

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

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

##### FOREIGN CURRENCY

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

##### Transactions and assets and liabilities in foreign currency

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

##### Translation of financial reports of foreign operations to SEK

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

##### REVENUE

Revenue is measured at the fair value of what is received or will be received after deducting sales tax, returns, discounts or other similar deductions. In Saab, revenue is referred to as sales in the financial reporting.

##### Sales of goods

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

##### Service assignments

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

##### Long-term customer contracts

A large part of the Group's operations comprises long-term customer contracts. Long-term customer contracts relate to the development and manufacture of complex systems that stretch over several reporting periods. When such contracts concern development and hardware that can be reliably calculated, revenue and expenditures attributable to the assignment are recognised in the consolidated income statement in relation to the assignment's stage of completion, i.e., according to the percentage of completion method.

The stage of completion is based on a determination of the relationship between expenditures incurred for services rendered as of the closing day and estimated

total expenditures. Of the estimated total revenue for an assignment, the portion corresponding to the stage of completion is recognised in each period. The stage of completion can also be determined in certain cases based on milestones or deliveries. With regard to orders that are financed to a significant extent with advance payment from customers, the effect on interest of advance financing is recognised in gross income. The interest amount that affected gross income is indicated in note 13.

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

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

#### OPERATING EXPENSES

The income statement is classified according to function as follows:

- Cost of goods sold comprises costs for material handling and manufacturing costs, including salary and material costs, purchased services, premises, and the depreciation/amortisation and 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; see below.
- Other operating revenue and expenses relate to secondary activities, exchange rate differences on items of an operating nature, changes in the value of derivatives of an operating nature and capital gains/losses on the sale of tangible fixed assets. Also included at the Group level are capital gains/losses on the sale of subsidiaries and associated companies.

#### Government grants

Government grants are recognised in the statement of financial position as prepaid or accrued income when there is reasonable certainty that the grant will be received and that the Group will meet the conditions associated with the grant. Grants are systematically recognised in the income statement in the same way and over the same periods as the expenses for which the grants are intended to compensate. Government grants related to assets are recognised in the statement of financial position as a reduction in the asset's carrying amount.

#### FINANCIAL REVENUE AND EXPENSES

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

#### INTANGIBLE FIXED ASSETS

##### Goodwill

Goodwill is distributed among cash-generating units and tested annually for impairment in the fourth quarter. Goodwill arising through the acquisition of associated companies is included in the carrying amount of the shares in the associated company.

In acquisitions where the cost is less than, on the one hand, the net of the cost of the Group company's shares, the value of non-controlling interests in the acquired company and the fair value of the previously owned interest and, on the other, the carrying amount of the acquired assets and assumed liabilities in the acquisition analysis, the difference is recognised directly through profit or loss.

##### Research and development

Expenditures for research undertaken in an effort to gain new scientific or technological knowledge are expensed when incurred.

Expenditures for development, where the research results or other knowledge is applied to new or improved products or processes, are recognised as an asset in the statement of financial position from the time when the product or process in the future is expected to be technically and commercially usable, the company has sufficient resources to complete development and subsequently use or sell the intangible asset, and the product or process is likely to generate future economic benefits. The carrying amount includes expenditures for material, direct expenditures for salaries and, if applicable, other expenditures that are considered directly attributable to the asset. Other expenditures for development are recognised in profit or loss

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

##### Other intangible fixed assets

Other acquired intangible fixed assets, which include acquired assets such as trademarks and customer relations, are recognised at cost less accumulated amortisation and any impairment losses.

##### Amortisation

Amortisation is recognised in profit or loss over the intangible fixed assets' estimated periods of use, provided such periods can be determined. Intangible fixed assets, excluding goodwill and other intangible fixed assets with indeterminate periods of use, are amortised from the day they are available for use. Estimated periods of use and amortisation methods are as follows:

- Patents, trademarks, customer relations and other technical rights: 5-10 years on a straight line basis.
- Capitalised development costs: Self-financed capitalised development costs are amortised based on estimated production volume, but over a maximum period of 5 years. Production volume is set using future sales projections according to a business plan based on identified business opportunities. Acquired development costs are amortised on a straight line basis over a maximum of 10 years.
- Goodwill: In the Parent Company, goodwill is amortised over a maximum 20 years. Goodwill is not amortised in the Group.

Periods of use are tested annually and unfinished development work is tested for impairment at least once a year regardless of any indications of diminished value.

#### TANGIBLE FIXED ASSETS

Tangible fixed assets are recognised as an asset in the statement of financial position if it is likely that the future economic benefits will accrue to the Group and the cost of the asset can be reliably estimated.

Tangible fixed assets are recognised at cost after deducting accumulated depreciation and any 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.

##### Borrowing costs

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

**Depreciation**

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

Estimated periods of use:

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

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

**LEASE ASSETS**

Lease assets mainly refer to the regional aircraft that were owned by legal entities within Saab Aircraft Leasing. These aircraft were divested during the year, due to which Saab's leasing operations for this part of the portfolio ceased. For more information, see note 18.

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.

**BIOLOGICAL ASSETS**

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

**INVESTMENT PROPERTIES**

Investment properties are properties held to earn rental income, for capital appreciation or a combination of both. Investment properties are carried in the statement of financial position at fair value. Fair value has been determined by calculating net rental income, which then serves as the basis of a valuation of fair value.

**ASSETS HELD FOR SALE**

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

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

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

**IMPAIRMENT**

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

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

The recoverable amount of an asset is the higher of its fair value less selling expenses and value in use. Value in use is measured by discounting future cash flows using a discounting factor that takes into account the risk-free rate of interest plus supplemental interest corresponding to the risk associated with the specific asset.

If essentially independent cash flows cannot be isolated for individual assets, the assets are grouped at the lowest levels where essentially independent cash flows can be identified (cash-generating units). An impairment loss is recognised when the carrying amount of an asset or cash-generating unit exceeds its recoverable value. Impairment losses are charged against the income statement.

Impairment losses attributable to a cash-generating unit (pool of units) are mainly allocated to goodwill, after which they are divided proportionately among other assets in the unit (the pool of units).

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

**FINANCIAL ASSETS AND LIABILITIES AND OTHER FINANCIAL INSTRUMENTS**

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

Financial instruments are initially recognised at cost, corresponding to the instrument's fair value plus transaction expenses for all financial instruments with the exception of those in the category financial assets at fair value through profit or loss. The instruments are subsequently recognised at fair value or amortised cost, depending on how they have been classified as follows. The fair value of listed financial assets and liabilities is determined using market prices. Saab also applies various valuation methods to determine the fair value of financial assets and liabilities traded on an inactive market or unlisted holdings. These valuation methods are based on the valuation of similar instruments, discounted cash flows or accepted valuation models such as Black-Scholes. Amortised cost is determined based on the effective interest rate calculated on the acquisition date.

A financial asset or financial liability is recognised in the statement of financial position when the company becomes party to the instrument's contractual terms. Accounts receivable are recognised in the statement of financial position when an invoice has been sent. Liabilities are recognised when the counterparty has performed and there is a contractual obligation to pay, even if an invoice has not yet been received. Accounts payable are recognised when an invoice is received.

A financial asset is removed from the statement of financial position when the rights in the agreement are realised, expire or the company loses control over them. The same applies to part of a financial asset. A financial liability is removed from the statement of financial position when the obligation in the agreement has been discharged or otherwise extinguished. The same applies to part of a financial liability.

On each reporting date, Saab evaluates whether there are objective indications that a financial asset or pool of financial assets is in need of 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 assets and liabilities are classified in one of the following categories:**

- Financial assets and liabilities at fair value through profit or loss: Assets and liabilities in this category are carried at fair value with changes in value recognised in profit or loss. This category consists of two subgroups: financial assets and liabilities held for trading and other financial assets and liabilities that the company initially chose to recognise at fair value through profit or loss. A financial asset is classified as held for trading if it is acquired for the purpose of selling in the near term. Derivatives are always recognised at fair value through profit or loss, unless hedge accounting is applied.
- Held-to-maturity investments: Financial assets in this category relate to non-derivative assets with predetermined or determinable payments and scheduled maturities that the company intends and has the ability to hold to maturity. They are valued at amortised cost.
- Loans receivable and accounts receivable: Loans receivable and accounts receivable are non-derivative financial assets with fixed payments which are not listed on an active market. Receivables arise when the company provides money, goods or services directly to the debtor without the intent to trade its claim. The category also includes acquired receivables. Assets in this category are recognised after acquisition at amortised cost. Accounts receivable are recognised at the amount expected to be received based on an individual valuation. Accounts receivable have a short maturity, due to which they are recognised at their nominal amount without discounting. Impairment losses on accounts receivable are recognised in operating expenses. Saab has an accounts receivable sales programme with an independent party. When a receivable is sold, the entire credit risk is transferred to the counterparty, because of which the proceeds received are recognised as liquid assets. Other receivables are receivables that arise when the company provides money without the intent to trade its claim.
- Available-for-sale financial assets: Available-for-sale financial assets are those assets that are available for sale or are not classified in any of the other categories of financial assets. These assets are measured at fair value. Changes in value are recognised directly in other comprehensive income. When assets are sold the cumulative value changes are

reversed to the income statement. Unrealised decreases in value are recognised in other comprehensive income unless the decrease in value is significant and has lasted for a long period, when the value is impaired through the income statement. If the write-down relates to equity instruments, such as shares, the write-down is not reversed through the income statement.

- **Other financial liabilities:**

Liabilities classified as other financial liabilities are initially recognised at the amount received after deducting transaction expenses. After acquisition, the loans are carried at amortised cost, according to the effective rate method. Trade accounts payable are classified in the category other financial liabilities. Trade accounts payable have a short expected maturity and are carried without discounting at their nominal amount.

#### Calculation of recoverable value

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

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

#### Liquid assets

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

#### Financial investments

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

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

#### Valuation principles

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

#### DERIVATIVES AND HEDGE ACCOUNTING

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

Derivatives with positive values are recognised as assets and derivatives with negative values are recognised as liabilities under the heading derivatives in the statement of financial position. Gains and losses on a derivative arising due to a change in fair value are recognised in profit or loss if the derivative is classified among financial assets and liabilities at fair value through profit or loss.

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

#### Cash flow hedges

Certain forward exchange contracts and currency swaps (hedge instruments) entered into to hedge future receipts and disbursements against currency risks are accounted for according to the rules for cash flow hedging. Derivatives that protect future receipts and disbursements are recognised in the statement of financial position at fair value. Changes in value are recognised in other comprehensive income and separately recognised in the hedge reserve in equity until the hedged cash flow meets the operating profit or loss, at which point the cumulative changes in value of the hedging instrument are transferred to profit or loss to meet and match the effects on earnings of the hedged transaction.

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

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

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

If the hedged transaction is no longer expected to occur, the hedging instrument's cumulative gains and losses are immediately recognised in profit or loss in accordance with principles described above for derivatives.

#### Fair value hedges

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

#### Hedge of currency exposure in assets and liabilities

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

#### INVENTORIES

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

Cost is calculated by applying the first-in first-out method (FIFO) or the weighted average method and includes expenses to acquire inventory assets and bring them to their present location and condition. For finished and semifinished goods, cost consists of direct manufacturing expenses and a reasonable share of indirect manufacturing expenses as well as expenses to customise products for individual customers. Calculations take into account normal capacity utilisation.

#### DIVIDENDS

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

#### EMPLOYEE BENEFITS

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

#### Defined-contribution plans

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

#### Defined-benefit plans

In defined-benefit plans, pensions are based on a percentage of the recipient's salary. Saab has around ten different types of defined-benefit plans. The predominant plan is the ITP plan, which accounts for 91 per cent (90) of the total obligation.

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

When the compensation terms in a plan improve, the portion of the increased compensation attributable to the employees' services in previous periods is expensed through the income statement.

The obligation is estimated on the closing day, and if the calculated amount deviates from the estimated commitment an actuarial gain or loss arises. All actuarial gains and losses as of 1 January 2013, the date of transition to revised IAS 19, are recognised in equity and other items in the statement of financial position. Actuarial gains and losses after 1 January 2012 are recognised directly in other comprehensive income. The same interest rate is used to calculate financial income of assets under management as in discounting pension liabilities.

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

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

#### Severance

A provision is recognised in connection with termination of personnel only if the company is obligated to terminate an employment before the customary time, e.g., when compensation is paid in connection with a voluntary termination offer. In cases where the company terminates personnel, a detailed plan is drafted containing at the minimum the workplaces, positions and approximate number of individuals affected as well as compensation for each personnel category or position and a schedule for the plan's implementation.

#### Share-based payment

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

#### Share matching plan for employees

Saab has a Global Share Matching Plan where all permanent employees are entitled to participate. The payroll expenses for matching shares in the plan are recognised during the vesting period based on the fair value of the shares. The employees pay a price for the share that corresponds to the share price on the investment date. Three years after the investment date, employees are allotted as many shares as they purchased three years earlier provided that they are still employees of the Saab Group and that the shares have not been sold. In certain countries, social security expenses are paid on the value of the employee's benefit when matching takes place. During the vesting period, provisions are allocated for these estimated social security expenses. Share repurchases to fulfil the commitments of Saab's share matching plans are recognised in equity.

In addition, a plan was introduced for senior executives entitling them to 2–5 matching shares depending on the category the employee belongs to. As of the 2011 Plan this was changed to 1–4 matching shares. In addition to the requirement that the employee remain employed by Saab after three years, there is also a requirement that earnings per share grow in the range of 5 to 15 per cent on average per year during the three-year period. In April 2014 at the Annual General Meeting the decision was made to modify the Performance Share Plan in order to increase interest in the plan. See also note 37.

#### PROVISIONS

A provision is recognised in the statement of financial position when the Group has a legal or informal obligation owing to an event that has occurred and it is likely that an outflow of economic resources will be required to settle the obligation and a reliable estimate of the amount can be made. Where it is important when in time payment will be made, provisions are estimated by discounting projected cash flow at a pre-tax interest rate that reflects current market estimates of the time value of money and, where appropriate, the risks associated with the liability.

#### Restructuring

A provision for restructuring is recognised when a detailed, formal restructuring plan has been established and the restructuring has either begun or been publicly announced. No provision is made for future operating losses.

#### Onerous contracts

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

#### Guarantees

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

#### Soil remediation

In accordance with the Group's publicly announced environmental policy and applicable legal requirements, periodic estimates are made of Saab's obligations to restore contaminated soil. Anticipated future payments are discounted to present value and recognised as an operating expense and a provision.

#### CONTINGENT LIABILITIES

A contingent liability exists if there is a possible commitment stemming from events whose occurrence is dependent on one or more uncertain future events and there is a commitment that is not recognised as a liability or provision because it is unlikely that an outflow of resources will be required or the size of the obligation cannot be estimated with sufficient reliability. Information is provided as long as the likelihood of an outflow of resources is not extremely small.

#### TAXES

Income taxes consist of current tax and deferred tax. Income taxes are recognised in profit or loss unless the underlying transaction is recognised in other comprehensive income, whereby the related tax effect is also recognised in other comprehensive income.

Current tax is the tax paid or received for the current year, applying the tax rates that have been set or essentially set as of the closing day to taxable income and adjusting for current tax attributable to previous periods.

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

Deferred tax assets from deductible temporary differences and tax loss carry forwards are only recognised to the extent it is likely that they will be utilised. The value of deferred tax assets is reduced when it is no longer considered likely that they can be utilised. Deferred tax assets are set off against deferred tax liabilities when the receivable and liability refer to the same tax authority.

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

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

**Business combinations**

Transaction costs are included in the cost of business combinations.

**Associated companies and joint ventures**

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

**Intangible fixed assets**

All development costs are recognised in profit or loss.

**Tangible fixed assets**

Tangible fixed assets are recognised after revaluation, if necessary.

**Borrowing costs**

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

**Investment properties**

Investment properties are recognised according to acquisition cost method.

**Financial assets and liabilities and other financial instruments**

The Parent Company carries financial fixed assets at cost less 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. 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 recognised directly in the equity of the recipient and 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 is critical in revenue recognition and provisions for onerous contracts as well as inventory valuations, and the outcome of technical and commercial risks may affect income and cash flow. Payments are made upon achievement of milestones in projects, making delivery according to project plan and milestones important for the cash flow.

#### 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 and Air Traffic Management (ATM). Capitalised development costs amount to MSEK 952 (1,338). The recognition of development expenditures as an asset on the statement of financial position requires an assumption that the product is expected to be technically and commercially usable in the future and that future economic benefits are likely. Capitalised development costs are amortised over the estimated production volume or period of use, up to a maximum of 5 years, with the exception of acquired development costs, where the maximum period of use is 10 years. Projected production volumes and periods of use may later be reassessed, which could necessitate impairment.

#### Impairment testing of goodwill

In the calculation of cash-generating units to determine whether there is a need 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 5,015 (4,605), see note 16.

#### 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 8,153 (6 413). 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 37 for further information.

## NOTE 3 REVENUE DISTRIBUTION

### Revenue by significant source

MSEK	Group		Parent Company	
	2014	2013	2014	2013
Sale of goods	3,569	3,964	2,422	2,221
Long-term customer contracts	14,137	13,891	10,259	10,231
Service assignments	5,796	5,891	3,492	4,068
Royalties	25	4	2	1
<b>Total</b>	<b>23,527</b>	<b>23,750</b>	<b>16,175</b>	<b>16,521</b>

#### Sale of goods

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

#### Long-term customer contracts

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

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

#### Service assignments

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

#### Royalties

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

## NOTE 4 SEGMENT REPORTING

Saab is a leading high-technology company, with its main operations in defence, aviation and civil security. Operations are primarily focused on well-defined areas in defence electronics and missile systems as well as military and commercial aviation. Saab is also active in technical services and maintenance. Saab has a strong position in Sweden and the main part of sales is generated in Europe. In addition Saab has a local presence in South Africa, Australia, the US and other selected countries globally. Saab's operating and management structure is divided into six business areas which also represent operating segments; Aeronautics, Dynamics, Electronic Defence Systems, Security and Defence Solutions, Support and Services, and Combitech. The business areas are described below. Complementing them is Corporate, which comprises Group staff and departments as well as other non-core operations. Comparative numbers for 2013 have been adjusted due to a new structure, see note 49 for more information. Comparative numbers for 2014, adjusted for the new organisational structure implemented as of 1 January 2015, can be found in note 50.

### Aeronautics

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

### Dynamics

Dynamics offers a highly competitive product range comprising ground combat weapons, missile systems, torpedoes, unmanned underwater vehicles and signature management systems for armed forces as well as remotely operated vehicles for the offshore industry.

### Electronic Defence Systems

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

### Security and Defence Solutions

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

### Support and Services

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

### Combitech

Combitech, an independent company in the Saab Group, is one of Sweden's largest technology consulting firms. Combitech combines technological excellence with deep industry knowledge, comprehensive understanding and a particular focus on environment and security.

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

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

### Information on major customers

Saab has one customer, the Swedish Defence Materiel Administration (FMV), which accounts for 10 per cent or more of the Group's sales. FMV is a customer of all business areas, generating total sales of MSEK 8,086 (7,814) in 2014.

### 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		Combitech		Corporate		Eliminations		Group	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
<b>MSEK</b>																		
External sales	6,508	6,703	2,840	3,430	4,205	4,050	5,635	4,991	3,371	3,571	982	925	-14	80	-	-	23,527	23,750
Internal sales	212	166	134	136	424	510	127	104	199	201	667	759	-	1	-1,763	-1,877	-	-
<b>Total sales</b>	<b>6,720</b>	<b>6,869</b>	<b>2,974</b>	<b>3,566</b>	<b>4,629</b>	<b>4,560</b>	<b>5,762</b>	<b>5,095</b>	<b>3,570</b>	<b>3,772</b>	<b>1,649</b>	<b>1,684</b>	<b>-14</b>	<b>81</b>	<b>-1,763</b>	<b>-1,877</b>	<b>23,527</b>	<b>23,750</b>
Operating income before share in income of associated companies and joint ventures	481	457	143	355	205	-115	342	213	376	498	92	148	2	-236	-	-	1,641	1,320
Share in income of associated companies and joint ventures	-1	-1	22	11	-	-	14	-	-	-	-	-	-17	15	-	-	18	25
<b>Operating income</b>	<b>480</b>	<b>456</b>	<b>165</b>	<b>366</b>	<b>205</b>	<b>-115</b>	<b>356</b>	<b>213</b>	<b>376</b>	<b>498</b>	<b>92</b>	<b>148</b>	<b>-15</b>	<b>-221</b>	<b>-</b>	<b>-</b>	<b>1,659</b>	<b>1,345</b>
Financial income	11	15	16	7	-	11	10	12	1	2	2	1	177	130	-114	-116	103	62
Financial expenses	-130	-81	-44	-31	-59	-43	-59	-50	-44	-31	-8	-5	-9	-303	114	116	-239	-428
<b>Income before taxes</b>	<b>361</b>	<b>390</b>	<b>137</b>	<b>342</b>	<b>146</b>	<b>-147</b>	<b>307</b>	<b>175</b>	<b>333</b>	<b>469</b>	<b>86</b>	<b>144</b>	<b>153</b>	<b>-394</b>	<b>-</b>	<b>-</b>	<b>1,523</b>	<b>979</b>
Taxes <sup>1)</sup>	-17	-	-29	-78	10	80	-68	-50	-3	-52	-17	-37	-231	-100	-	-	-355	-237
<b>Net income for the year</b>	<b>344</b>	<b>390</b>	<b>108</b>	<b>264</b>	<b>156</b>	<b>-67</b>	<b>239</b>	<b>125</b>	<b>330</b>	<b>417</b>	<b>69</b>	<b>107</b>	<b>-78</b>	<b>-494</b>	<b>-</b>	<b>-</b>	<b>1,168</b>	<b>742</b>
Assets	5,285	5,133	3,441	3,604	7,907	7,811	7,092	6,059	3,583	3,885	795	800	13,319	14,375	-11,866	-13,878	29,556	27,789
Of which shares in associated companies and joint ventures	32	31	89	69	4	4	79	-	-	-	-	-	193	263	-	-	397	367
Liabilities	4,924	4,727	1,749	1,994	4,303	4,255	4,231	3,798	2,755	3,102	451	458	6,249	5,746	-6,479	-8,518	18,183	15,562
Operational cash flow	-656	-227	-69	503	-677	116	157	122	-32	-149	76	162	4	-1,166	-	-	-1,197	-639
Capital employed	2,689	2,447	2,186	2,007	4,743	4,294	4,257	3,994	2,214	2,479	496	505	-256	-261	-	-	16,329	15,465
Investments	141	88	68	55	314	92	53	47	20	17	3	3	372	309	-	-	971	611
Depreciation and amortisation	59	147	61	62	417	475	112	115	18	19	8	9	197	207	-	-	872	1,034
Write-downs	-	-	-	-	-	13	-	-	-	-	-	-	-	-	-	-	-	13

<sup>1)</sup> Current taxes in the Parent Company are reported in Corporate

#### Geographical areas

Group	Sweden		EU excluding Sweden		Rest of Europe		North America		Latin America	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
<b>MSEK</b>										
External sales <sup>1)</sup>	10,512	9,814	3,770	3,933	592	621	2,387	2,611	508	376
as % of sales	45	41	16	17	3	3	10	11	2	2
Fixed assets	8,959	8,340	581	571	55	40	1,650	1,597	4	5

Group	Asia		Africa		Australia, etc.		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
<b>MSEK</b>								
External sales <sup>1)</sup>	4,007	4,311	573	930	1,178	1,154	23,527	23,750
as % of sales	17	18	2	4	5	5	100	100
Fixed assets	87	41	426	320	110	212	11,872	11,126

<sup>1)</sup> External sales are distributed to the market where the customer is domiciled.

Note 4, cont.

**Sales by operating segment**

MSEK	Parent Company	
	2014	2013
Aeronautics	6,532	6,708
Electronic Defence Systems	3,526	3,084
Security and Defence Solutions	2,985	3,412
Support and Services	3,132	3,317
<b>Total</b>	<b>16,175</b>	<b>16,521</b>

**Sales by geographical market**

MSEK	Parent Company	
	2014	2013
Sweden	8,842	8,732
EU excluding Sweden	2,325	2,501
Rest of Europe	305	249
North America	1,411	1,288
Latin America	313	198
Asia	2,507	3,002
Africa	307	356
Australia, etc.	165	195
<b>Total</b>	<b>16,175</b>	<b>16,521</b>

**NOTE 5 OTHER OPERATING INCOME**

MSEK	Group		Parent Company	
	2014	2013	2014	2013
Gain on sale of intellectual property rights and tangible fixed assets	111	37	110	37
Gain on sale of associated companies	93	-	-	-
Gain on sale of Group companies	57	-	-	-
Gain from revaluation of earn out liability	24	106	-	-
Gain from other operating activities	24	4	-	16
Exchange rate gains on operating receivables/ liabilities and change in value of derivatives	21	1	7	2
Realised accumulated translation differences	18	-	-	-
Trading results	17	21	17	21
Government grants	7	12	6	9
Change in value of investment properties	2	-	-	-
Other	56	23	30	2
<b>Total</b>	<b>430</b>	<b>204</b>	<b>170</b>	<b>87</b>

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 41.

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

**NOTE 6 OTHER OPERATING EXPENSES**

MSEK	Group		Parent Company	
	2014	2013	2014	2013
Change in fair value of biological assets	-7	-10	-	-
Exchange rate losses on operating receivables/ liabilities and change in value of derivatives	-3	-8	-9	-10
Loss from other operating activities	-2	-1	-	-
Loss on sale of tangible fixed assets	-2	-1	-2	-1
Cost related to lost legal dispute	-	-231	-	-231
Change in value of investment properties	-	-2	-	-
Other	-7	-4	-	-12
<b>Subtotal</b>	<b>-21</b>	<b>-257</b>	<b>-11</b>	<b>-254</b>
Change in fair value of derivatives	-1	-9	-	-
Change in value of contracted flows	1	9	-	-
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>-21</b>	<b>-257</b>	<b>-11</b>	<b>-254</b>

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

**NOTE 7 GOVERNMENT GRANTS**

Saab receives government grants, mainly various grants from EU related to research and development projects. For 2014, MSEK 72 (74) has been received. MSEK 82 (83) 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 24 (34) is recognised as prepaid income.

Saab and the Ministry of Enterprise, Energy and Communications have reached an agreement with the National Debt Office to co-finance Saab's participation in the Airbus A380 project. The co-financing is in the form of a royalty loan maximised at MSEK 350. Repayment will take the form of a royalty on each delivery to Airbus. Through 2014, the National Debt Office has paid out a net amount of MSEK 263 (263). The debt as of 31 December 2014 amounts to MSEK 162 (177), which reduces inventory in the financial statements.

No contingent liabilities or contingent assets are reported.

## NOTE 8 BUSINESS COMBINATIONS

On 29 June 2014, Saab announced an agreement to acquire 100 per cent of ThyssenKrupp Marine Systems AB (now Saab Kockums), which designs, builds and maintains military naval systems such as submarines and surface vessels. Saab Kockums had approximately 850 employees at the time of the acquisition. The acquisition was completed on 22 July 2014 for a purchase price of MSEK 340.

The acquisition is in line with Saab's ambition to increase its capabilities in the naval domain, and further strengthens Saab's status as a comprehensive supplier of military systems. Saab Kockums has a unique offering and strong presence in Sweden concerning submarines and warships. Saab also sees potential to expand Saab Kockums' current market position through opportunities in the export market.

### Purchase Analysis

	MSEK
<b>Purchase price</b>	
Purchase price paid 22 July 2014	340
<b>Total consideration</b>	<b>340</b>
<b>Effect on liquid assets</b>	
Purchase price paid 22 July 2014	340
Less: Liquid assets in the acquired company	-540
<b>Effect on liquid assets (positive (-) / negative (+))</b>	<b>-200</b>
<b>Fair value of identifiable assets and liabilities at the date of the acquisition was:</b>	
Intangible fixed assets	41
Tangible fixed assets	157
Financial fixed assets	12
Deferred tax assets	281
Current assets	407
Liquid assets	540
<b>Total assets</b>	<b>1,438</b>
Provisions for pensions	186
Other provisions	601
Other liabilities	529
<b>Total liabilities</b>	<b>1,316</b>
<b>Total identifiable net assets at fair value</b>	<b>112</b>
Goodwill	218
<b>Purchase consideration</b>	<b>340</b>

Goodwill related to the acquisition amounts to MSEK 218, and comprises the value of the assembled workforce and expected synergy effects achieved by merging Saab Group's and Saab Kockums' operations. No part of acquired goodwill is expected to be deductible for income tax purposes.

As of the acquisition date, Saab Kockums has contributed MSEK 612 to Group sales and MSEK 138 to income before tax. Saab Kockums' total sales in 2014 amounts to MSEK 1,248 and income before tax to MSEK 88.

Transaction costs of MSEK 5 have been expensed and are included in administrative expenses. These costs are included in cash flow from operating activities in the statement of cash flows.

No other significant acquisitions were made or announced during 2014.

**NOTE 9** EMPLOYEES AND STAFF COSTS**Average number of employees<sup>1)</sup>**

	2014	of whom men	2013	of whom men
<b>Parent Company</b>				
Sweden	8,471	80%	8,568	80%
Saudi Arabia	26	92%	4	100%
Somalia	14	100%	6	100%
United Arab Emirates	11	91%	14	100%
Indonesia	10	70%	2	100%
Norway	8	100%	10	100%
South Korea	5	100%	7	71%
Thailand	5	80%	6	83%
Kenya	4	100%	8	63%
Canada	4	100%	3	100%
Switzerland	3	100%	3	67%
UK	3	67%	2	100%
USA	3	100%	-	-
Belgium	2	50%	4	50%
India	2	100%	1	100%
Hong Kong	2	50%	-	-
Brazil	1	100%	2	100%
Japan	1	100%	1	100%
Italy	1	100%	-	-
Pakistan	-	-	12	100%
France	-	-	3	100%
Turkey	-	-	3	67%
Croatia	-	-	2	50%
Czech Republic	-	-	2	50%
Finland	-	-	2	50%
Malaysia	-	-	1	100%
Denmark	-	-	1	100%
<b>Parent Company, total</b>	<b>8,576</b>	<b>80%</b>	<b>8,667</b>	<b>80%</b>

<sup>1)</sup> 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	
	2014	2013
Board of Directors	33	33
Other senior executives	33	30

	2014	of whom men	2013	of whom men
<b>Group companies</b>				
Sweden	2,931	78%	2,576	76%
South Africa	614	72%	820	74%
USA	603	73%	690	74%
Australia	297	80%	300	80%
UK	226	79%	211	81%
Czech Republic	130	77%	136	79%
The Netherlands	123	89%	129	91%
Norway	100	68%	89	75%
Germany	97	85%	89	87%
Denmark	67	88%	58	86%
Switzerland	61	84%	54	94%
Finland	58	79%	52	77%
Canada	49	90%	54	87%
India	47	74%	39	69%
Kenya	42	88%	37	95%
Thailand	17	76%	11	73%
Hong Kong	13	69%	15	73%
Pakistan	10	100%	-	-
Brazil	8	38%	7	43%
United Arab Emirates	7	86%	4	75%
South Korea	6	67%	1	100%
Poland	5	60%	4	75%
Malaysia	5	80%	3	67%
Turkey	4	75%	-	-
Chile	3	67%	2	100%
Greece	2	50%	1	100%
Singapore	2	50%	1	-
Belgium	1	100%	-	-
France	1	100%	-	-
Croatia	1	-	9	78%
Bulgaria	-	-	1	-
<b>Group companies, total</b>	<b>5,530</b>	<b>78%</b>	<b>5,393</b>	<b>77%</b>
<b>Group, total</b>	<b>14,106</b>	<b>79%</b>	<b>14,060</b>	<b>79%</b>

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

MSEK	2014		2013	
	Salaries and other remuneration	Social security expenses	Salaries and other remuneration	Social security expenses
<b>Parent Company</b>	4,660	1,900	4,534	2,027
of which pension costs <sup>1)</sup>		474		628
<b>Group companies</b>	3,003	1,038	2,767	828
of which pension costs <sup>2)</sup>		537		402
<b>Group, total</b>	<b>7,663</b>	<b>2,938</b>	<b>7,301</b>	<b>2,855</b>
of which pension costs <sup>3)</sup>		1,011		1,030

<sup>1)</sup> Of the Parent Company's pension costs, MSEK 10 (10) refers to the Parent Company's Board and President, including deputies and Executive Vice President. The company's outstanding pension obligations for these individuals, amount to MSEK 23 (24), of which MSEK 23 (24) refers to former Board members and Presidents, including deputies and Executive Vice Presidents.

<sup>2)</sup> Adjustment according to different accounting principles regarding defined-benefit plans between Parent Company and Group. See also note 1.

<sup>3)</sup> Of the Group's pension costs, MSEK 17 (19) refers to the Group's boards and Presidents, including Group companies. The Group's outstanding pension obligations for these individuals amount to MSEK 29 (28), of which MSEK 23 (24) refers to former board members and Presidents.

Note 9, cont.

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

MSEK	2014		2013	
	Board, President and Executive Vice Presidents	Other employees	Board, President and Executive Vice Presidents	Other employees
<b>Parent Company</b>	25	4,635	24	4,510
of which variable remuneration	-		-	
<b>Group companies</b>	75	2,928	74	2,693
of which variable remuneration	1		3	
<b>Group, total</b>	100	7,563	98	7,203
of which variable remuneration	1		3	

Of the salaries and remuneration paid to other employees in the Group, MSEK 30 (36) refers to senior executives other than Board members and the President.

For information on post-employment compensation and share-related compensation, see note 37.

**NOTE 10 AUDITORS' FEES AND COMPENSATION**

MSEK	Group		Parent Company	
	2014	2013	2014	2013
<b>PwC</b>				
Audit assignments	18	16	10	9
Audit work in excess of the audit assignment	1	1	1	1
Tax advice	1	2	-	-
Other services	1	1	-	-
<b>Other audit firms</b>				
Audit assignments	2	2	-	-
<b>Total</b>	23	22	11	10

Audit assignments refer to expenses for the statutory audit, i.e. the work that was necessary to issue the audit report as well as advice in connection with the audit assignment.

Audit work in excess of the audit assignment relates to expenses for opinions and other assignments associated to a fairly high degree with audits and which are normally performed by the external auditor, including consultations on advisory and reporting requirements, internal control and the review of interim reports.

Other services relate to expenses that are not classified as audit assignments, audit work in excess of the audit assignment and tax advice.

**NOTE 11 OPERATING EXPENSES**

MSEK	Group	
	2014	2013
Materials and components	5,450	5,274
Purchased services	1,956	1,976
Personnel costs	10,601	10,156
Depreciation/amortisation and write-downs	857	1,059
Other expenses	3,431	3,912
<b>Total</b>	22,295	22,377

Operating expenses refer to cost of goods sold, marketing expenses, administrative expenses and research and development costs. Depreciation/amortisation and write-downs includes reversal of write-downs on inventory. Depreciation and amortisation in the leasing operations (Saab Aircraft Leasing) are not included in depreciation and amortisation above.

**NOTE 12 DEPRECIATION/AMORTISATION AND WRITE-DOWNS**

MSEK	Group	
	2014	2013
<b>Depreciation/amortisation</b>		
Capitalised development costs	-320	-454
Other intangible fixed assets	-146	-170
Operating properties	-90	-96
Plant and machinery	-163	-175
Equipment, tools and installations	-145	-114
Leasing aircraft	-8	-25
<b>Total</b>	-872	-1,034
<b>Write-downs</b>		
Plant and machinery	-	-13
<b>Total</b>	-	-13

No write-downs have been recognised during 2014. In 2013, write-downs of MSEK 13 were recognised on plant and machinery with regard to radar operations in the US.

MSEK	Parent Company	
	2014	2013
<b>Depreciation/amortisation</b>		
Capitalised development costs	-202	-200
Goodwill	-40	-39
Other intangible fixed assets	-96	-100
Buildings	-56	-64
Plant and machinery	-97	-103
Equipment, tools and installations	-91	-66
<b>Total</b>	-582	-572

**NOTE 13** FINANCIAL INCOME AND EXPENSES

MSEK	Group	
	2014	2013
Interest income on loans receivable	53	65
Less project interest applied to gross income	-1	-3
Financial income from revaluation and disposal of financial assets and liabilities measured at fair value through profit or loss	49	-
Other financial income	2	-
<b>Financial income</b>	<b>103</b>	<b>62</b>
Interest expenses on loans and financial liabilities	-46	-42
Interest expense, lost legal dispute	-	-83
Financial expense from revaluation of financial assets available-for-sale	-19	-133
Financial expenses from revaluation and disposal of financial assets and liabilities measured at fair value through profit or loss	-72	-51
Financial expenses related to pensions	-57	-74
Other financial expenses	-45	-45
<b>Financial expenses</b>	<b>-239</b>	<b>-428</b>
<b>Net financial income and expenses</b>	<b>-136</b>	<b>-366</b>

Parent Company	Result from shares in Group companies		Result from shares in associated companies/joint ventures	
	2014	2013	2014	2013
MSEK				
Dividends	104	654	-	430
Group contributions received	255	310	-	-
Capital gain on sale of shares	62	-	194	-
Write-downs	-1	-69	-	-430
Other	134	-20	-	8
<b>Total</b>	<b>554</b>	<b>875</b>	<b>194</b>	<b>8</b>

Parent Company	Result from other securities and receivables held as fixed assets		Other interest income and similar profit/loss items	
	2014	2013	2014	2013
MSEK				
Interest income, Group companies	-	-	155	124
Other interest income	-	-	51	74
Write-down	-	-133	-	-
Translation differences	5	-14	-	-
Net change in value from revaluation of financial assets/liabilities	-53	-12	-	-
Less project interest applied to gross income	-	-	-1	-3
Other	-19	-21	-	-
<b>Total</b>	<b>-67</b>	<b>-180</b>	<b>205</b>	<b>195</b>

Parent Company	Interest expenses and similar profit/loss items	
	2014	2013
MSEK		
Interest expenses, Group companies	-23	-51
Other interest expenses	-157	-140
<b>Total</b>	<b>-180</b>	<b>-191</b>

**NOTE 14** APPROPRIATIONS

MSEK	Parent Company	
	2014	2013
Buildings and land	12	14
Plant and machinery as well as equipment, tools and installations	1	24
Total difference between tax depreciation and depreciation according to plan	13	38
Tax allocation reserve	-432	-322
<b>Total</b>	<b>-419</b>	<b>-284</b>

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

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

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

MSEK	Group	
	2014	2013
<b>Current tax expense (-)/tax income (+)</b>		
Taxes for the year	-403	-324
Adjustment for taxes related to previous years	18	134
<b>Total</b>	<b>-385</b>	<b>-190</b>
<b>Deferred tax expense (-)/tax income (+)</b>		
Deferred tax related to temporary differences	-32	13
Deferred tax related to value of tax loss carry forwards capitalised during the year	55	33
Deferred tax expense due to utilisation of previously capitalised tax value in tax loss carry forwards	-4	-7
Deferred tax related to previous years	11	-86
<b>Total</b>	<b>30</b>	<b>-47</b>
<b>Total recognised tax in the Group</b>	<b>-355</b>	<b>-237</b>

The Group's overall deferred tax amounts to MSEK 30 (-47) and current tax expense for the year amounts to MSEK -385 (-190), producing a total recognised tax of MSEK -355 (-237) in the consolidated income statement. The table "Change in deferred tax in temporary differences and tax loss carry forwards" for the Group, on page 95, specifies how deferred tax affects income.

MSEK	Parent Company	
	2014	2013
<b>Current tax expense (-)/tax income (+)</b>		
Taxes for the year	-287	-216
Adjustment for taxes related to previous years	21	2
<b>Total</b>	<b>-266</b>	<b>-214</b>
<b>Deferred tax expense (-)/tax income (+)</b>		
Deferred tax related to temporary differences	-34	14
Deferred tax related to previous years	-17	-
<b>Total</b>	<b>-51</b>	<b>14</b>
<b>Total recognised tax in the Parent Company</b>	<b>-317</b>	<b>-200</b>

Note 15, cont.

**Reconciliation of effective tax**

MSEK	Group			
	2014 (%)	2014	2013 (%)	2013
Income before taxes		1,523		979
Tax according to current tax rate for the Parent Company	-22.0	-335	-22.0	-215
Effect of other tax rates for foreign operations	0.7	11	-0.5	-5
Non-deductible expenses	-9.7	-147	-16.1	-158
Tax-exempt income	4.6	70	7.4	72
Tax on additional, non-capitalised tax loss carry forwards	-	-	-0.4	-4
Tax on utilisation of previously non-capitalised tax loss carry forwards	0.3	4	0.7	7
Capitalisation of tax loss carry forwards attributable to previous years	0.9	13	1.9	19
Tax related to previous years	1.9	29	4.9	48
Other	-	-	-0.1	-1
<b>Reported effective tax</b>	<b>-23.3</b>	<b>-355</b>	<b>-24.2</b>	<b>-237</b>

Non-deductible expenses are mainly related to leasing operations in the US.

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 182 (146).

MSEK	Parent Company			
	2014 (%)	2014	2013 (%)	2013
Income before taxes		1,487		1,085
Tax according to current tax rate for the Parent Company	-22.0	-327	-22.0	-239
Tax allocated to foreign operations	0.1	2	-0.1	-1
Tax related to previous years	0.1	2	0.2	2
Non-deductible expenses	-5.5	-82	-20.2	-219
Tax-exempt income	5.9	88	23.7	257
<b>Reported effective tax</b>	<b>-21.3</b>	<b>-317</b>	<b>-18.4</b>	<b>-200</b>

**Deferred tax assets and liabilities**

MSEK	Group		Net
	Deferred tax assets 31-12-2014	Deferred tax liabilities 31-12-2014	
Intangible fixed assets	8	-293	-285
Tangible fixed assets	9	-389	-380
Lease assets	-	-	-
Biological assets	-	-40	-40
Long-term receivables	8	-23	-15
Inventories	220	-1	219
Accounts receivable	12	-1	11
Prepaid expenses and accrued income	26	-	26
Long-term liabilities	44	-	44
Provisions for pensions	770	-11	759
Other provisions	342	-2	340
Tax allocation reserves	-	-358	-358
Contingency reserve attributable to Larsen Försäkrings AB	-	-299	-299
Accrued expenses and deferred income	83	-1	82
Other	152	-50	102
Tax loss carry forwards	402	-	402
<b>Tax assets/liabilities, total</b>	<b>2,076</b>	<b>-1,468</b>	<b>608</b>
Set-off	-1,420	1,420	
<b>Tax assets /liabilities, net</b>	<b>656</b>	<b>-48</b>	<b>608</b>

MSEK	Group		Net
	Deferred tax assets 31-12-2013	Deferred tax liabilities 31-12-2013	
Intangible fixed assets	6	-398	-392
Tangible fixed assets	10	-371	-361
Lease assets	-	-40	-40
Biological assets	-	-42	-42
Long-term receivables	8	-25	-17
Inventories	195	-8	187
Accounts receivable	7	-	7
Prepaid expenses and accrued income	21	-	21
Long-term liabilities	48	-1	47
Provisions for pensions	404	-13	391
Other provisions	306	-22	284
Tax allocation reserves	-	-264	-264
Contingency reserve attributable to Larsen Försäkrings AB	-	-299	-299
Accrued expenses and deferred income	108	-	108
Other	25	-105	-80
Tax loss carry forwards	188	-	188
<b>Tax assets/liabilities, total</b>	<b>1,326</b>	<b>-1,588</b>	<b>-262</b>
Set-off	-1,087	1,087	
<b>Tax assets /liabilities, net</b>	<b>239</b>	<b>-501</b>	<b>-262</b>

Note 15, cont.

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

MSEK Expiration	Recognised tax loss carry forwards	Unrecognised tax loss carry forwards
Unlimited expiration	956	44
2021	27	-
2024	27	-
2029	7	-
2030	82	-
2031	199	-
2032	8	-
2034	106	-
<b>Total tax loss carry forwards</b>	<b>1,412</b>	<b>44</b>
<b>Recognised deferred tax asset</b>	<b>402</b>	<b>-</b>

At the close of 2014 Saab's unrecognised tax loss carry forwards totalled MSEK 44 (103). Tax loss carry forwards attributable to the US operations can be utilised through 2034, but expire in part as of 2021.

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
<b>Tax assets/liabilities, total</b>	<b>341</b>	<b>-210</b>	<b>131</b>
Set-off	-210	210	-
<b>Tax assets/liabilities, net</b>	<b>131</b>	<b>0</b>	<b>131</b>

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

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	69	11
Deferred tax assets expected to be recovered after one year	2,007	330

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

MSEK	Group	Parent Company
Deferred tax liabilities due for payment within one year	14	9
Deferred tax liabilities due for payment after one year	1,454	201

Note 15, cont.

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

Group MSEK	Opening balance 1 Jan 2014	Recognised in profit or loss	Recognised in the comprehensive income	Acquisition/divest- ment of operations	Translation difference	Closing balance 31 Dec 2014
Intangible fixed assets	-392	120	-	-	-13	-285
Tangible fixed assets	-361	-10	-	-1	-8	-380
Lease assets	-40	36	-	-	4	-
Biological assets	-42	2	-	-	-	-40
Long-term receivables	-17	2	-	-	-	-15
Inventories	187	23	-	-	9	219
Accounts receivable	7	4	-	-1	1	11
Prepaid expenses and accrued income	21	4	-	-1	2	26
Long-term liabilities	47	-7	-	-	4	44
Provisions for pensions	391	99	266	5	-2	759
Other provisions	284	-88	-	132	12	340
Tax allocation reserves	-264	-94	-	-	-	-358
Contingency reserve attributable to Lansen Försäkrings AB	-299	-	-	-	-	-299
Accrued expenses and deferred income	108	-29	-	-	3	82
Other	-80	-83	253	13	-1	102
Tax loss carry forwards	188	51	-	135	28	402
<b>Total</b>	<b>-262</b>	<b>30</b>	<b>519</b>	<b>282</b>	<b>39</b>	<b>608</b>

The Group's total deferred tax income in the 2014 income statement amounted to MSEK 30. The Group's total deferred tax income in the statement of comprehensive income amounted to MSEK 519. The closing balance on 31 December 2014, MSEK 608, consisted of deferred tax assets of MSEK 656 and tax liabilities of MSEK -48, see table on page 93.

The net change in the year's tax loss carry forwards, excluding acquisition/divestment of operations and translation differences, totals MSEK 51, which is the amount

of deferred tax on capitalised tax value in tax loss carry forwards, MSEK 55, and deferred tax expense due to utilisation of previously capitalised tax value in tax loss carry forwards, MSEK -4.

Other numbers in the "Recognised in profit or loss" column in the table above total MSEK -21, which is the amount of deferred tax related to temporary differences and deferred tax attributable to previous years.

Group MSEK	Opening balance 1 Jan 2014	Recognised in profit or loss	Recognised in the comprehensive income	Acquisition/divest- ment of operations	Translation difference	Closing balance 31 Dec 2013
Intangible fixed assets	-521	133	-	-4	-	-392
Tangible fixed assets	-371	10	-	-	-	-361
Lease assets	-62	23	-	-	-1	-40
Biological assets	-44	2	-	-	-	-42
Long-term receivables	-14	-3	-	-	-	-17
Inventories	203	-11	-	-	-5	187
Accounts receivable	6	1	-	-	-	7
Prepaid expenses and accrued income	24	-3	-	-	-	21
Long-term liabilities	53	-6	-	-	-	47
Provisions for pensions	639	37	-285	-	-	391
Other provisions	426	-142	-	-	-	284
Tax allocation reserves	-193	-71	-	-	-	-264
Contingency reserve attributable to Lansen Försäkrings AB	-299	-	-	-	-	-299
Accrued expenses and deferred income	122	-14	-	-	-	108
Other	-102	-29	59	-	-8	-80
Tax loss carry forwards	162	26	-	-	-	188
<b>Total</b>	<b>29</b>	<b>-47</b>	<b>-226</b>	<b>-4</b>	<b>-14</b>	<b>-262</b>

The Group's total deferred tax expense in the 2013 income statement amounted to MSEK -47. The Group's total deferred tax expense in the statement of comprehensive income amounted to MSEK -226. The closing balance on 31 December 2013, MSEK -262, consisted of deferred tax assets of MSEK 239 and tax liabilities of MSEK -501, see table on page 93.

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

MSEK	Group	
	2014	2013
Provisions for pensions	266	-285
Cash flow hedges	253	59
<b>Total</b>	<b>519</b>	<b>-226</b>

**NOTE 16** INTANGIBLE FIXED ASSETS

MSEK	Group		Parent Company	
	31-12-2014	31-12-2013	31-12-2014	31-12-2013
Goodwill	5,015	4,605	453	493
Capitalised development costs	952	1,338	461	662
Other intangible assets	384	397	203	237
<b>Total</b>	<b>6,351</b>	<b>6,340</b>	<b>1,117</b>	<b>1,392</b>

**Goodwill**

MSEK	Group		Parent Company	
	2014	2013	2014	2013
<b>Acquisition value</b>				
Opening balance, 1 January	5,302	5,278	784	784
Business combinations	218	37	-	-
Translation differences	192	-13	-	-
<b>Closing balance, 31 December</b>	<b>5,712</b>	<b>5,302</b>	<b>784</b>	<b>784</b>
<b>Amortisation and write-downs</b>				
Opening balance, 1 January	-697	-697	-291	-252
Amortisation for the year	-	-	-40	-39
<b>Closing balance, 31 December</b>	<b>-697</b>	<b>-697</b>	<b>-331</b>	<b>-291</b>
<b>Carrying amount, 31 December</b>	<b>5,015</b>	<b>4,605</b>	<b>453</b>	<b>493</b>

Business combinations 2014 relates to ThyssenKrupp Marine Systems AB. Business combinations 2013 relate to Hydro-Lek Limited and Teknikinformation i Krokomb AB (TIKAB) as well as an adjustment related to the acquisition of MEDAV GmbH.

**Capitalised development costs**

MSEK	Group		Parent Company	
	2014	2013	2014	2013
<b>Acquisition value</b>				
Opening balance, 1 January	5,898	5,895	2,010	2,000
Business combinations	-	17	-	10
Internally developed assets	171	24	-	-
Disposals and reclassifications	-257	-14	-	-
Translation differences	50	-24	-	-
<b>Closing balance, 31 December</b>	<b>5,862</b>	<b>5,898</b>	<b>2,010</b>	<b>2,010</b>
<b>Amortisation and write-downs</b>				
Opening balance, 1 January	-4,560	-4,144	-1,348	-1,144
Amortisation for the year	-320	-454	-202	-200
Business combinations	-	-	-	-4
Disposals and reclassifications	-	14	-	-
Translation differences	-30	24	1	-
<b>Closing balance, 31 December</b>	<b>-4,910</b>	<b>-4,560</b>	<b>-1,549</b>	<b>-1,348</b>
<b>Carrying amount, 31 December</b>	<b>952</b>	<b>1,338</b>	<b>461</b>	<b>662</b>

Business combinations in the Group 2013 relates primarily to Hydro-Lek Limited.

**Other intangible assets**

MSEK	Group		Parent Company	
	2014	2013	2014	2013
<b>Acquisition value</b>				
Opening balance, 1 January	1,651	1,879	1,261	1,473
Business combinations	88	5	-	-
Investments	68	44	63	64
Disposals and reclassifications	-4	-275	0	-276
Translation differences	44	-2	-1	-
<b>Closing balance, 31 December</b>	<b>1,847</b>	<b>1,651</b>	<b>1,323</b>	<b>1,261</b>
<b>Amortisation and write-downs</b>				
Opening balance, 1 January	-1,254	-1,362	-1,024	-1,200
Amortisation for the year	-146	-170	-96	-100
Business combinations	-47	-	-	-
Disposals and reclassifications	4	276	-	276
Translation differences	-20	2	-	-
<b>Closing balance, 31 December</b>	<b>-1,463</b>	<b>-1,254</b>	<b>-1,120</b>	<b>-1,024</b>
<b>Carrying amount, 31 December</b>	<b>384</b>	<b>397</b>	<b>203</b>	<b>237</b>

Business combinations 2014 relates to ThyssenKrupp Marine Systems AB. Business combinations 2013 relates to Teknikinformation i Krokomb AB (TIKAB).

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

MSEK	Group		Parent Company	
	2014	2013	2014	2013
Cost of goods sold	144	168	136	139
Marketing expenses	2	2	-	-
Research and development costs	320	454	202	200

**Development costs**

The significant items in total capitalisation are development costs for radar and sensors, electronic warfare systems and Air Traffic Management (ATM).

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 384, MSEK 266 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.

Note16, cont.

Goodwill is distributed by business area as follows:

MSEK	31-12-2014	31-12-2013
Dynamics	596	585
Electronic Defence Systems	2,407	2,337
Security and Defence Solutions	1,458	1,177
Support and Services	246	246
Combitech	308	260
<b>Total goodwill</b>	<b>5,015</b>	<b>4,605</b>

Impairment testing for cash-generating units is based on the calculation of value in use. This value is based on discounted cash flow forecasts according to the units' business plans. For Electronic Defence Systems 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 comprised of the units' operating income after depreciation and amortisation. The units' operating margin is calculated against the back-drop of historical results and Saab's expectations with regard to the future development of markets where the units are active. All business areas except for Combitech have a substantial order backlog of projects that stretches over a number of years. The risks and opportunities affecting the operating margin are managed through continuous cost forecasts for all significant projects.

##### Capitalised development costs

In the five-year business plans, consideration is given to additional investments in development considered necessary for certain units to reach the growth targets in their respective markets.

##### Discount rate

Discount rates are based on the weighted average cost of capital (WACC). The WACC rate that is used is based on a risk-free rate of interest in ten years adjusted for, among other things, market risks. The discount rate is in line with the external requirements placed on Saab and similar companies in the market.

All units have sales of defence materiel, unique systems, products and support solutions in the international market as their primary activity, and their business risk in this respect is considered equivalent.

During the year a review was made of the cost of capital and new risk assessments were conducted within each business area. 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 following discount rates have been used (pre-tax):

Per cent	Pre-tax discount rate (WACC)	
	2014	2013
Dynamics	10	11
Electronic Defence Systems	10	11
Security and Defence Solutions	10	11
Support and Services	10	13
Combitech	10	13

##### Sensitivity analysis

Group Management believes that reasonable possible changes in the above variables would not have such a large impact that any individually would reduce the recoverable amount to less than the carrying amount

## NOTE 17 TANGIBLE FIXED ASSETS

MSEK	Group		Parent Company	
	31-12-2014	31-12-2013	31-12-2014	31-12-2013
Operating properties/buildings and land <sup>1)</sup>	2,066	1,888	1,463	1,340
Plant and machinery	803	651	514	445
Equipment, tools and installations	459	349	283	197
Construction in progress	374	351	314	297
<b>Total</b>	<b>3,702</b>	<b>3,239</b>	<b>2,574</b>	<b>2,279</b>

<sup>1)</sup> In the Group, the reported amount refers to operating properties. In the Parent Company, the reported amount refers to buildings and land.

#### Operating properties/buildings and land <sup>1)</sup>

MSEK	Group		Parent Company	
	2014	2013	2014	2013
<b>Acquisition value</b>				
Opening balance, 1 January	4,881	4,917	1,928	1,881
Business combinations	243	-	-	-
Investments	91	43	84	41
Reclassifications	131	-13	95	6
Divestments	-535	-36	-20	-
Translation differences	47	-30	-	-
<b>Closing balance, 31 December</b>	<b>4,858</b>	<b>4,881</b>	<b>2,087</b>	<b>1,928</b>
<b>Depreciation and write-downs</b>				
Opening balance, 1 January	-2,993	-2,936	-1,485	-1,421
Depreciation for the year	-90	-96	-56	-64
Business combinations	-164	-	-	-
Reclassifications	-	24	-	-
Divestments	467	13	20	-
Translation differences	-12	2	-	-
<b>Closing balance, 31 December</b>	<b>-2,792</b>	<b>-2,993</b>	<b>-1,521</b>	<b>-1,485</b>
<b>Revaluations</b>				
Opening balance, 1 January	-	-	897	897
<b>Closing balance, 31 December</b>	<b>-</b>	<b>-</b>	<b>897</b>	<b>897</b>
<b>Carrying amount, 31 December</b>	<b>2,066</b>	<b>1,888</b>	<b>1,463</b>	<b>1,340</b>

<sup>1)</sup> 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 98. The property is depreciated on a straight-line basis over its period of use through 2025.

Total future minimum lease fees amount to MSEK 125, of which MSEK 11 is due within one year, MSEK 45 after one year but within five years, and MSEK 69 after five years. The present value of future minimum lease fees is MSEK 104.

Note 17, cont.

**Plant and machinery**

MSEK	Group		Parent Company	
	2014	2013	2014	2013
<b>Acquisition value</b>				
Opening balance, 1 January	3,310	3,264	2,330	2,308
Business combinations	368	8	-	-
Investments	238	98	176	59
Reclassifications	15	26	1	10
Divestments	-110	-60	-91	-47
Translation differences	115	-26	-	-
<b>Closing balance, 31 December</b>	<b>3,936</b>	<b>3,310</b>	<b>2,416</b>	<b>2,330</b>
<b>Depreciation and write-downs</b>				
Opening balance, 1 January	-2,659	-2,534	-1,885	-1,827
Depreciation for the year	-163	-175	-97	-103
Write-downs for the year	-	-13	-	-
Business combinations	-312	-4	-	-
Reclassifications	-1	-10	-	-1
Divestments	96	57	80	46
Translation differences	-94	20	-	-
<b>Closing balance, 31 December</b>	<b>-3,133</b>	<b>-2,659</b>	<b>-1,902</b>	<b>-1,885</b>
<b>Carrying amount, 31 December</b>	<b>803</b>	<b>651</b>	<b>514</b>	<b>445</b>

In 2014, no write-downs were recognised. In 2013, write-downs of MSEK 13 were recognised on plant and machinery with regard to radar operations in the US. Business combinations 2014 relates to ThyssenKrupp Marine Systems AB and 2013 to Teknikinformation i Krokomb AB (TIKAB) as well as Hydro-Lek Limited.

**Equipment, tools and installations**

MSEK	Group		Parent Company	
	2014	2013	2014	2013
<b>Acquisition value</b>				
Opening balance, 1 January	1,838	1,794	1,127	1,093
Business combinations	134	2	-	-
Investments	233	146	178	82
Reclassifications	11	15	-1	8
Divestments	-162	-95	-57	-56
Translation differences	25	-24	-	-
<b>Closing balance, 31 December</b>	<b>2,079</b>	<b>1,838</b>	<b>1,247</b>	<b>1,127</b>
<b>Depreciation and write-downs</b>				
Opening balance, 1 January	-1,489	-1,482	-930	-920
Depreciation for the year	-145	-114	-91	-66
Business combinations	-122	-2	-	-
Reclassifications	1	-2	-	-
Divestments	155	90	57	56
Translation differences	-20	21	-	-
<b>Closing balance, 31 December</b>	<b>-1,620</b>	<b>-1,489</b>	<b>-964</b>	<b>-930</b>
<b>Carrying amount, 31 December</b>	<b>459</b>	<b>349</b>	<b>283</b>	<b>197</b>

Business combinations relates to ThyssenKrupp Marine Systems AB for 2014 and Teknikinformation i Krokomb AB (TIKAB) for 2013.

**Construction in progress**

MSEK	Group		Parent Company	
	2014	2013	2014	2013
<b>Acquisition value</b>				
Opening balance, 1 January	351	139	297	115
Business combinations	10	-	-	-
Investments	170	256	113	205
Reclassifications	-159	-40	-96	-23
Divestments	1	-2	-	-
Translation differences	1	-2	-	-
<b>Carrying amount, 31 December</b>	<b>374</b>	<b>351</b>	<b>314</b>	<b>297</b>

Business combinations 2014 relates to ThyssenKrupp Marine Systems AB.

**Collateral**

On 31 December 2014 property with a carrying amount of MSEK 0 (0) was pledged as collateral for bank loans.

**NOTE 18** LEASE ASSETS AND LEASE AGREEMENTS

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 on 31 December 2014 comprised 0 (14) aircraft. The leases on the 6 (35) leased aircraft still remaining at year-end expired in January 2015. As a result, Saab has terminated its regional aircraft leasing operations. A provision has been allocated in an amount corresponding to the anticipated outflow for the remaining obligations.

**Leasing aircraft obtained for leasing purposes**

MSEK	2014	2013
<b>Acquisition value</b>		
Opening balance, 1 January	618	942
Divestments	-653	-323
Translation differences	35	-1
<b>Closing balance, 31 December</b>	<b>-</b>	<b>618</b>
<b>Depreciation</b>		
Opening balance, 1 January	-373	-543
Divestments	403	195
Depreciation for the year	-8	-25
Translation differences	-22	-
<b>Closing balance, 31 December</b>	<b>-</b>	<b>-373</b>
<b>Write-downs</b>		
Opening balance, 1 January	-48	-97
Divestments and revaluations	48	49
<b>Closing balance, 31 December</b>	<b>-</b>	<b>-48</b>
<b>Total</b>	<b>-</b>	<b>197</b>
<b>Other lease assets</b>		
Opening balance, 1 January	-	2
Translation differences	-	-2
<b>Closing balance, 31 December</b>	<b>-</b>	<b>-</b>
<b>Carrying amount, 31 December</b>	<b>-</b>	<b>197</b>

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

MSEK	Payments to lessors	Payments from airlines <sup>1)</sup>	Payments from airlines <sup>2)</sup>
<b>Outcome</b>			
2013	235	79	16
2014	99	36	4

<sup>1)</sup> Receipts from airlines for aircraft held via operating leases and leased out via operating leases.

<sup>2)</sup> Receipts from airlines for owned aircraft leased out via operating leases.

There are no future contracted leasing fees for aircraft obtained/leased via operating leases.

**Leasing fees for other assets obtained via operating leases<sup>1)</sup>**

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

MSEK	Group	
	Premises and buildings	Machinery and equipment
<b>Outcome</b>		
2013	240	155
2014	298	149
<b>Contracted</b>		
2015	321	128
2016	249	85
2017	206	44
2018	176	8
2019	162	4
2020 and forward	154	4
<b>Total contracted</b>	<b>1,268</b>	<b>273</b>

MSEK	Parent Company	
	Premises and buildings	Machinery and equipment
<b>Outcome</b>		
2013	173	126
2014	197	113
<b>Contracted</b>		
2015	221	103
2016	197	70
2017	170	36
2018	156	2
2019	147	-
2020 and forward	136	-
<b>Total contracted</b>	<b>1,027</b>	<b>211</b>

<sup>1)</sup> The Group has a finance lease on a building; see note 17.

**NOTE 19** BIOLOGICAL ASSETS

MSEK	Group	
	2014	2013
<b>Living forest</b>		
Carrying amount, 1 January	296	306
Change in fair value	5	4
Less fair value logging	-12	-14
<b>Carrying amount, 31 December</b>	<b>289</b>	<b>296</b>
Of which fixed assets	289	296

On 31 December 2014, biological assets consisted of approximately 397,000 m<sup>3</sup> of spruce, 659,000 m<sup>3</sup> of pine and 75,000 m<sup>3</sup> of hardwood. Forest growth is estimated at 40,000 m<sup>3</sup> timber per year. During the year, approximately 25,300 m<sup>3</sup> of timber was felled, which had a fair value in the Group, after deducting selling expenses, of MSEK 12 on the felling date.

The valuation of forests has been done with the help of independent appraisers. The forestry property has been valued according to the market comparison method. In the valuation according to the market comparison method, the environmental impact on the firing range has not been taken into account. An adjustment for the environmental impact has therefore been made by reducing fair value by an amount corresponding to the market value of the size of the firing range (4,457 hectares) less the value of the timber.

**NOTE 20** INVESTMENT PROPERTIES**Information on fair value of investment properties in the Group**

In the Group, investment properties are reported according to the fair value method.

MSEK	Group	
	2014	2013
Carrying amount, 1 January	31	33
Revaluation	2	-2
<b>Carrying amount, 31 December</b>	<b>33</b>	<b>31</b>

Investment properties are recognised in the statement of financial position at fair value, while changes in the value of these properties are recognised in the income statement; see also note 1.

Investment properties comprise a number of rental properties leased to outside tenants. Leases on offices and production space are normally signed for an initial period of 2–6 years. Prior to expiration, renegotiations are held with the tenant on the rent level and other terms of the agreement, provided the lease has not been terminated.

Fair values have been determined by analysing rental income and expenses for each property, thereby producing a net rental income figure. Net rental income has then served as the basis for a valuation of fair value with a yield of 8 per cent. The yield requirements correspond to the risk in net rental income. Fair value is not based on the valuation of an independent appraiser.

MSEK	Group	
	2014	2013
<b>Effect on net income/net rental income</b>		
Rental income	4	4
Direct costs for investment properties that generated rental income during the year	-2	-2
<b>Effect on net income/net rental income</b>	<b>2</b>	<b>2</b>

**Information on fair value of investment properties in the Parent Company**

In the Parent Company, investment properties are recognised as buildings according to the acquisition cost method. Investment properties in the Parent Company are mainly leased out to other companies in the Group and are therefore classified as operating properties in the Group.

MSEK	Parent Company	
	2014	2013
<b>Fair value</b>		
Opening fair value, 1 January	164	164
Revaluation	-	-
<b>Closing fair value, 31 December</b>	<b>164</b>	<b>164</b>

MSEK	Parent Company	
	2014	2013
<b>Effect on net income/net rental income</b>		
Rental income	26	25
Direct costs for investment properties that generated rental income during the year	-9	-8
<b>Effect on net income /net rental income</b>	<b>17</b>	<b>17</b>

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

MSEK	Parent Company	
	2014	2013
<b>Accumulated acquisition value</b>		
Opening balance, 1 January	128	128
Acquisitions	-	-
<b>Closing balance, 31 December</b>	<b>128</b>	<b>128</b>
<b>Accumulated depreciation according to plan</b>		
Opening balance, 1 January	-98	-94
Depreciation according to plan for the year	-3	-4
<b>Closing balance, 31 December</b>	<b>-101</b>	<b>-98</b>
<b>Accumulated revaluations</b>		
Opening balance, 1 January	66	66
<b>Closing balance, 31 December</b>	<b>66</b>	<b>66</b>
<b>Carrying amount, 31 December</b>	<b>93</b>	<b>96</b>

**NOTE 21** SHARES IN ASSOCIATED COMPANIES AND JOINT VENTURES CONSOLIDATED ACCORDING TO THE EQUITY METHOD

MSEK	Group	
	2014	2013
Carrying amount, 1 January	367	300
Acquisition of associated companies and joint ventures	34	3
Sale of associated companies	-123	-
Share in associated companies' and joint ventures' income <sup>1)</sup>	18	25
New share issues	9	20
Reclassifications	47	39
Translation differences and internal gains	47	-10
Dividends	-2	-10
<b>Carrying amount, 31 December</b>	<b>397</b>	<b>367</b>

<sup>1)</sup> 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.

During 2014, Saab acquired Fortis Marine Solutions Pte Ltd, a joint venture, and KedTech Holding AB, an associated company, and made investments in the venture portfolio. The associated company Hawker Pacific Airservices Ltd was sold in 2014. As contractually stipulated, control over the subsidiary Saab Grintek Techno-

Note 21, cont.

logies (Pty) Ltd ceased in March 2014, after which it was reclassified as an associated company. The gain associated with the loss of control amounts to MSEK 12 and is recognised as other operating income.

Aggregate net income for Saab's associated companies amounts to MSEK 27 (63) and other comprehensive income to MSEK 119 (-29), producing net comprehensive income of MSEK 146 (34). For Saab's joint ventures, net income amounts to MSEK 29 (0) and other comprehensive income to MSEK 4 (0), producing net comprehensive income of MSEK 33 (0). Saab's share of income in associated companies and joint ventures amounts to MSEK 18 (25). Shares in associated companies and joint ventures as of 31 December 2014 include goodwill of MSEK 79 (60).

The Group's share of sales, income, assets, liabilities and the carrying amount of shares in associated companies and joint ventures is as follows.

2014 MSEK	Country	Share in income of associated companies and joint ventures	
		Sales	
<b>Associated companies</b>			
Wah Nobel (Pvt) Ltd.	Pakistan	33	15
Taurus Systems GmbH	Germany	50	-2
S.N. Technologies SA	Switzerland	23	2
Industrikompetens i Östergötland AB	Sweden	46	-1
Omnigo (Pty) Ltd.	South Africa	24	-1
Kontorsbolaget i Karlskoga AB	Sweden	20	1
FFV Services Private Limited	India	19	7
AVIA SATCOM Co., Ltd.	Thailand	101	-
Saab Grintek Technologies Ltd.	South Africa	139	-
Other associated companies, mainly in the venture portfolio		12	-17
<b>Total associated companies</b>		<b>467</b>	<b>4</b>

**Joint ventures**

Gripen International KB	Sweden	-	-
Fortis Marine Solutions Pte Ltd	Singapore	117	14
<b>Total joint ventures</b>		<b>117</b>	<b>14</b>
<b>Total</b>		<b>584</b>	<b>18</b>

2013 MSEK	Country	Share in income of associated companies and joint ventures	
		Sales	
<b>Associated companies</b>			
Hawker Pacific Airservices Ltd	Hong Kong	510	-2
Wah Nobel (Pvt) Ltd	Pakistan	22	4
Taurus Systems GmbH	Germany	28	-
S.N. Technologies SA	Switzerland	24	1
Industrikompetens i Östergötland AB	Sweden	35	-
Omnigo (Pty) Ltd	South Africa	22	1
Kontorsbolaget i Karlskoga AB	Sweden	20	-
FFV Services Private Limited	India	16	7
AVIA SATCOM Co., Ltd	Thailand	102	23
Other associated companies, mainly in the venture portfolio		11	-9
<b>Total associated companies</b>		<b>790</b>	<b>25</b>
<b>Joint ventures</b>			
Gripen International KB	Sweden	-	-
<b>Total joint ventures</b>		<b>-</b>	<b>-</b>
<b>Total</b>		<b>790</b>	<b>25</b>

31-12-2014 MSEK	Assets	Liabilities	Carrying amount, shares in associated companies and joint ventures		Ownership interest, %
<b>Associated companies</b>					
Wah Nobel (Pvt) Ltd	52	11	41	27.2	
Taurus Systems GmbH	339	336	3	33.0	
S.N. Technologies SA	18	6	12	50.0	
Industrikompetens i Östergötland AB	20	11	9	33.0	
Omnigo (Pty) Ltd	12	7	5	40.0	
Kontorsbolaget i Karlskoga AB	122	115	7	50.0	
FFV Services Private Limited	30	3	27	49.0	
AVIA SATCOM Co., Ltd	170	40	130	36.6	
Saab Grintek Technolo- gies Ltd.	106	55	51	70.0	
Other associated com- panies, mainly in the ven- ture portfolio	66	11	55		
<b>Total associated companies</b>	<b>935</b>	<b>595</b>	<b>340</b>		
<b>Joint ventures</b>					
Gripen International KB	216	187	29	50.0	
Fortis Marine Solutions Pte Ltd	53	25	28	49.0	
<b>Total joint ventures</b>	<b>269</b>	<b>212</b>	<b>57</b>		
<b>Total</b>	<b>1,204</b>	<b>807</b>	<b>397</b>		

31-12-2013 MSEK	Assets	Liabilities	Carrying amount, shares in associated companies and joint ventures		Ownership interest, %
<b>Associated companies</b>					
Hawker Pacific Airservices Ltd	332	227	105	32.3	
Wah Nobel (Pvt) Ltd	34	7	27	27.2	
Taurus Systems GmbH	126	120	6	33.0	
S.N. Technologies SA	15	5	10	50.0	
Industrikompetens i Östergötland AB	19	9	10	33.0	
Omnigo (Pty) Ltd	13	7	6	40.0	
Kontorsbolaget i Karlskoga AB	121	115	6	50.0	
FFV Services Private Limited	25	6	19	49.0	
AVIA SATCOM Co., Ltd	142	34	108	36.6	
Other associated com- panies, mainly in the ven- ture portfolio	42	1	41		
<b>Total associated companies</b>	<b>869</b>	<b>531</b>	<b>338</b>		
<b>Joint ventures</b>					
Gripen International KB	256	227	29	50.0	
<b>Total joint ventures</b>	<b>256</b>	<b>227</b>	<b>29</b>		
<b>Total</b>	<b>1,125</b>	<b>758</b>	<b>367</b>		

## NOTE 22 SHARES IN JOINT VENTURES CONSOLIDATED ACCORDING TO THE PROPORTIONAL METHOD

The Group has a 50 per cent holding in the joint venture Gripen International KB. Group holdings were reported using the proportional method through 2013; however, application of IFRS 11, Joint Arrangements, requires that holdings be reported using the equity method as of 2014. The Group's remaining holdings in joint ventures in 2013 are of an insignificant amount.

Effects of application of IFRS 11 on the financial position at the end and the beginning of 2013 are reported in accordance with the equity method as shown below. The change has not had a significant effect on the Group's income statement.

### Year End 2013

Financial position MSEK	31-12-2013 actual	Adjustment IFRS 11	31-12-2013 restated
Fixed assets	11,104	-7	11,097
Shares in joint ventures	-	29	29
Current assets	16,801	-138	16,663
<b>Total assets</b>	<b>27,905</b>	<b>-116</b>	<b>27,789</b>
<b>Total equity</b>	<b>12,227</b>	<b>-</b>	<b>12,227</b>
Long term liabilities	4,498	-	4,498
Current liabilities	11,180	-116	11,064
<b>Total liabilities</b>	<b>15,678</b>	<b>-116</b>	<b>15,562</b>
<b>Total equity and liabilities</b>	<b>27,905</b>	<b>-116</b>	<b>27,789</b>

### Opening balance 2013

Financial position MSEK	01-01-2013 actual	Adjustment IFRS 11	01-01-2013 restated
Fixed assets	11,498	-2	11,496
Shares in joint ventures	-	459	459
Current assets	17,440	-344	17,096
<b>Total assets</b>	<b>28,938</b>	<b>113</b>	<b>29,051</b>
<b>Total equity</b>	<b>11,280</b>	<b>-</b>	<b>11,280</b>
Long term liabilities	4,764	-	4,764
Current liabilities	12,894	113	13,007
<b>Total liabilities</b>	<b>17,658</b>	<b>113</b>	<b>17,771</b>
<b>Total equity and liabilities</b>	<b>28,938</b>	<b>113</b>	<b>29,051</b>

## NOTE 23 PARENT COMPANY'S SHARES IN ASSOCIATED COMPANIES AND JOINT VENTURES

MSEK	Parent Company	
	2014	2013
<b>Accumulated acquisition value</b>		
Opening balance, 1 January	137	565
Acquisitions	24	2
Divestments	-26	-
Write-downs	-	-430
<b>Closing balance, 31 December</b>	<b>135</b>	<b>137</b>
<b>Carrying amount, 31 December</b>	<b>135</b>	<b>137</b>

## Specification of Parent Company's (co-owner's) directly owned holdings of shares in associated companies and joint ventures

2014 MSEK	% of votes and capital	Carrying amount
<b>Associated companies</b>		
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
<b>Joint ventures</b>		
Gripen International KB, 969679-8231, Linköping	50.0	29
Industrigruppen JAS AB, 556147-5921, Stockholm	80.0	
<b>Total</b>		<b>135</b>

2013 MSEK	% of votes and capital	Carrying amount
<b>Associated companies</b>		
Hawker Pacific Airservices Ltd, Hong Kong	32.3	22
Industrikompetens i Östergötland AB, 556060-5478, Linköping	33.0	2
AVIA SATCOM Co Ltd, Thailand	36.6	78
Aerostructures Assemblies India Pvt Ltd	50.0/26.0	2
<b>Joint ventures</b>		
Gripen International KB, 969679-8231, Linköping	50.0	29
Industrigruppen JAS AB, 556147-5921, Stockholm	80.0	4
<b>Total</b>		<b>137</b>

## NOTE 24 RECEIVABLES FROM GROUP COMPANIES

Parent Company MSEK	Long-term receivables from Group companies	
	2014	2013
<b>Accumulated acquisition value</b>		
Opening balance, 1 January	747	861
Divestments	-	-114
Exchange rate differences	118	-
<b>Closing balance, 31 December</b>	<b>865</b>	<b>747</b>

**NOTE 25** FINANCIAL INVESTMENTS

MSEK	Group	
	2014-12-31	2013-12-31
<b>Financial investments held as fixed assets</b>		
Financial assets available-for-sale measured at fair value:		
Shares and participations	121	114
Financial assets measured at fair value through profit or loss:		
Shares and participations	29	40
Investments held to maturity:		
Interest-bearing securities	142	141
<b>Total</b>	<b>292</b>	<b>295</b>
<b>Short-term investments classified as current assets</b>		
Financial assets measured at fair value through profit or loss:		
Interest-bearing securities	1,270	2,002
<b>Total</b>	<b>1,270</b>	<b>2,002</b>

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 144 (139).

**NOTE 26** OTHER LONG-TERM SECURITIES HOLDINGS

MSEK	Parent Company	
	2014	2013
<b>Accumulated acquisition value</b>		
Opening balance, 1 January	286	38
Acquisitions	1	248
<b>Closing balance, 31 December</b>	<b>287</b>	<b>286</b>
<b>Accumulated write-downs</b>		
Opening balance, 1 January	-150	-17
Write-downs for the year	-	-133
<b>Closing balance, 31 December</b>	<b>-150</b>	<b>-150</b>
<b>Carrying amount, 31 December</b>	<b>137</b>	<b>136</b>

Acquisitions in 2014 relate to further investments in Biogeneration Ventures B.V. Acquisitions 2013 relate to Pipavav Defence and Offshore Engineering Co Ltd and Biogeneration Ventures B.V.

Write-downs for 2013 relate to Pipavav Defence and Offshore Engineering Co Ltd.

**NOTE 27** LONG-TERM RECEIVABLES AND OTHER RECEIVABLES

MSEK	Group	
	31-12-2014	31-12-2013
<b>Long-term receivables held as fixed assets</b>		
Receivables from associated companies, interest-bearing	59	59
Receivables from associated companies, non interest-bearing	2	2
Receivables attributable to pension, interest-bearing	59	36
Other interest-bearing receivables	24	16
Other non interest-bearing receivables	8	9
<b>Total</b>	<b>152</b>	<b>122</b>

MSEK	Group	
	31-12-2014	31-12-2013
<b>Other receivables held as current assets</b>		
Receivables from associated companies, interest-bearing	3	3
Receivables from associated companies, non interest-bearing	71	41
Receivables from joint ventures, non interest-bearing	9	10
Advance payments to suppliers	22	140
Other interest-bearing receivables	2	30
Other non interest-bearing receivables	643	429
<b>Subtotal</b>	<b>750</b>	<b>653</b>
<b>Receivables from customers</b>		
Assignment revenue	6,433	4,258
Less utilised advance payments	-2,928	-1,184
<b>Subtotal</b>	<b>3,505</b>	<b>3,074</b>
<b>Total</b>	<b>4,255</b>	<b>3,727</b>

Assignment revenue refers to assignment costs incurred and reported gross income less any losses attributable to the work performed. Unutilised advance payments amount to MSEK 856 (818).

Costs attributable to assignment revenue amounted to MSEK 5,438 (3,507). Reported gross income amounted to MSEK 996 (751).

MSEK	Parent Company	
	31-12-2014	31-12-2013
<b>Other long-term receivables</b>		
Interest-bearing receivables	20	16
Non interest-bearing receivables	5	6
<b>Total</b>	<b>25</b>	<b>22</b>

MSEK	Parent Company	
	31-12-2014	31-12-2013
<b>Other receivables held as current assets</b>		
Interest-bearing receivables	-	25
Non interest-bearing receivables	428	308
<b>Subtotal</b>	<b>428</b>	<b>333</b>
<b>Receivables from customers</b>		
Assignment revenue	5,204	3,165
Less utilised advance payments	-2,848	-1,183
<b>Subtotal</b>	<b>2,356</b>	<b>1,982</b>
<b>Total</b>	<b>2,784</b>	<b>2,315</b>

Assignment revenue refers to assignment costs incurred and reported gross income less any losses attributable to the work performed. Unutilised advance payments amount to MSEK 439 (394).

Costs attributable to assignment revenue amounted to MSEK 4,420 (2,672). Reported gross income amounted to MSEK 784 (493).

MSEK	Parent Company	
	2014	2013
<b>Long-term receivables</b>		
<b>Accumulated acquisition value</b>		
Opening balance, 1 January	22	49
Incremental receivables	3	-
Deductible receivables	-	-27
<b>Closing balance, 31 December</b>	<b>25</b>	<b>22</b>

**NOTE 28** INVENTORIES

MSEK	Group	
	31-12-2014	31-12-2013
Raw materials and consumables	2,004	2,048
Work in progress	2,916	1,722
Finished goods and goods for resale	899	793
<b>Total</b>	<b>5,819</b>	<b>4,563</b>

Saab and the Swedish Ministry of Enterprise, Energy and Communications have reached agreement with the National Debt Office to co-finance Saab's participation in the Airbus A380 project. The co-financing is in the form of a royalty loan maximised at MSEK 350. Repayment will take the form of a royalty on each delivery to Airbus. Through 2014, the National Debt Office has paid out MSEK 263 (263). The debt as of 31 December 2014 amounts to MSEK 162 (177), which reduces inventory in the financial statements.

The Group's cost of goods sold includes inventory write-downs of MSEK 78 (130). The reversal of previous write-downs amounts to MSEK 85 (93). The value of inventories measured at fair value less selling expenses amounts to MSEK 161 (128). Of inventories, MSEK 193 is expected to be realised more than twelve months after the closing day.

The change in work in progress is mainly related to higher activity levels in larger projects.

MSEK	Parent Company	
	31-12-2014	31-12-2013
Raw materials and consumables	1,524	1,574
Work in progress	2,214	1,267
Finished goods and goods for resale	715	671
Advance payments to suppliers	37	141
<b>Total</b>	<b>4,490</b>	<b>3,653</b>

Cost of goods sold for the Parent Company includes inventory write-downs of MSEK 71 (128) after the reversal of previous write-downs of MSEK 84 (92). The value of inventories measured at fair value less selling expenses amounts to MSEK 161 (128). Of the Parent Company's inventories, MSEK 43 is expected to be realised more than twelve months after the closing day.

**NOTE 29** ACCOUNTS RECEIVABLE

Accounts receivable in the Group amount to MSEK 3,414 (3,295). As part of the sales programme arranged in 2009, Saab sold receivables in 2014 in order to strengthen its financial position and increase financial flexibility.

The receivables were sold in their entirety which reduced the receivables by MSEK 1,071 (555), at year-end and also had a positive impact on cash flow of MSEK 516 (-297).

During the year, accounts receivable were written down by MSEK 6 (15).

Reversals of previous write-downs amounted to MSEK 13 (3).

Accounts receivable in the Parent Company amount to MSEK 1,826 (1,489). During the year, receivables were written down by MSEK 2 (12). Reversals of previous write-downs amounted to MSEK 7 (2). See also note 41.

**NOTE 30** PREPAID EXPENSES AND ACCRUED INCOME

MSEK	Group		Parent Company	
	31-12-2014	31-12-2013	31-12-2014	31-12-2013
Prepaid expenses	608	466	499	507
Accrued service income	170	106	2	2
Other accrued income	335	282	293	227
<b>Total</b>	<b>1,113</b>	<b>854</b>	<b>794</b>	<b>736</b>

Prepaid expenses primarily relate to pension premiums, rents, licenses and insurance.

**NOTE 31** LIQUID ASSETS

MSEK	Group	
	31-12-2014	31-12-2013
Cash and bank balances	1,284	651
Bank deposits	-	1,113
<b>Total according to statement of financial position</b>	<b>1,284</b>	<b>1,764</b>
<b>Total according to statement of cash flows</b>	<b>1,284</b>	<b>1,764</b>

Bank deposits relate to short-term investments, the large part of which has a maturity of less than one month. The Group's unutilised account overdraft facility amounted to MSEK 94 (87) at year-end. With regard to the Group's other loan facilities, refer to notes 36 and 41.

**NOTE 32** ASSETS HELD FOR SALE

The Group holds no significant assets or liabilities for sale.

**NOTE 33** SHAREHOLDERS' EQUITY

The shares in the Parent Company are divided into two series, A and B. Both classes of shares carry equal rights, with the exception that each Series A share is entitled to ten votes and each Series B share one vote. The shares have a quota value of SEK 16.

Outstanding shares at 31 December 2014	Number of shares	Per cent of shares	Per cent of votes
Series A	1,907,123	1.8	15.5
Series B	103,592,857	98.2	84.5
<b>Total</b>	<b>105,499,980</b>	<b>100.0</b>	<b>100.0</b>

Outstanding shares at 31 December 2013	Number of shares	Per cent of shares	Per cent of votes
Series A	1,907,123	1.8	15.4
Series B	104,507,021	98.2	84.6
<b>Total</b>	<b>106,414,144</b>	<b>100.0</b>	<b>100.0</b>

Change in number of outstanding shares 2014	Series A	Series B	Total
Number of outstanding shares at 1 January	1,907,123	104,507,021	106,414,144
Repurchase of shares	-	-1,340,000	-1,340,000
Early share matching	-	27,212	27,212
Share matching plan	-	398,624	398,624
<b>Number of outstanding shares at 31 December</b>	<b>1,907,123</b>	<b>103,592,857</b>	<b>105,499,980</b>

In 2014, 1,340,000 Series B shares were repurchased on the market to secure Saab's Share Matching Plan and Performance Share Plan. During the year, 425,836 shares were matched in Saab's Share Matching Plan. Transferred shares correspond to 0.4 per cent of the share capital. A total of 3,650,364 shares are held in treasury. Shares held in treasury have no voting rights.

The dividend to shareholders amounted to MSEK 479 (477), or SEK 4.50 (4.50) per share.

**Management of the Group's capital**

The Group's capital under management consists of equity. The Group's capital management goal is to facilitate continued operating growth and to remain prepared to capitalise on business opportunities. 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 161 (-353). Of the translation reserve MSEK 18 (0) has been reclassified to gains.

**Revaluation reserve**

The revaluation reserve comprises the difference between the fair value and carrying amount of operating properties reclassified as investment properties. Of the revaluation reserve, MSEK 0 (0) has been transferred to retained earnings upon the sale of investment properties.

**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 1. These revaluations amounted to MSEK 27 (0) in 2014. When the assets are sold, the cumulative changes in value are reversed to profit or loss. No reversals were made in 2014.

**PARENT COMPANY****Restricted reserves**

Restricted reserves may not be reduced through profit distributions.

**Revaluation reserve**

When a tangible or financial fixed asset is revalued, the revaluation amount is allocated to a revaluation reserve.

**Statutory reserve**

Provisions to the statutory reserve have previously amounted to at least 10 per cent of net income for the year, until the statutory reserve corresponded to at least 20 per cent of the Parent Company's capital stock. As of 2006 provisions are voluntary and the Parent Company makes no provisions to the statutory reserve.

**Unrestricted equity****Retained earnings**

Consists of previous year's unrestricted equity after profit distribution and Group contributions paid. Retained earnings together with net income for the year comprise unrestricted equity, i.e., the amount available for distribution to the shareholders.

**NOTE 34 EARNINGS PER SHARE**

	2014	2013
Net income for the year attributable to Parent Company's shareholders (MSEK)	1,153	741
Weighted average number of common shares outstanding:		
before dilution (thousands)	106,126	106,125
after dilution (thousands)	106,916	109,150
Earnings per share, before dilution (SEK)	10.86	6.98
Earnings per share, after dilution (SEK)	10.78	6.79

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 calculated as of 2014 based on the effects of all potential shares (Share Matching Plan and Performance Share Plan) that give rise to a dilution effect. A simplified method had previously been used where the dilution effect was based on all treasury shares.

**NOTE 35 INTEREST-BEARING LIABILITIES**

MSEK	Group	
	31-12-2014	31-12-2013
<b>Long-term liabilities</b>		
Liabilities to credit institutions	2,001	1,000
Other interest-bearing liabilities	104	95
<b>Total</b>	<b>2,105</b>	<b>1,095</b>
<b>Current liabilities</b>		
Liabilities to credit institutions	-	1
Liabilities to associated companies and joint ventures	244	244
Other interest-bearing liabilities	20	473
<b>Total</b>	<b>264</b>	<b>718</b>
<b>Total interest-bearing liabilities</b>	<b>2,369</b>	<b>1,813</b>

**Terms and repayment schedules**

Collateral for bank loans amounts to MSEK 0 (0). Of the long-term liabilities, MSEK 2,036 (1,036) falls due between one and five years of the closing day and MSEK 69 (59) later than five years of the closing day.

Liabilities to credit institutions mainly consist of Medium Term Notes (MTN). For more information on financial risk management, see note 41.

The fair value of MTNs exceeds book value by MSEK 37 (5). Saab otherwise does not consider there to be a significant difference between book and fair value.

**NOTE 36 LIABILITIES TO CREDIT INSTITUTIONS**

MSEK	Parent company	
	31-12-2014	31-12-2013
<b>Current liabilities</b>		
Overdraft facilities: Available credit/limit	94	87
Short-term portion of bank loans: Unutilised portion	-94	-87
<b>Utilised credit amount</b>	-	-
Short-term borrowing from credit institutions	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>Long-term liabilities</b>		
Overdraft facilities: Available credit/limit	4,000	4,000
Long-term portion of bank loans: Unutilised portion	-4,000	-4,000
<b>Utilised credit amount</b>	-	-
Long-term borrowing from credit institutions	2,000	1,000
<b>Total</b>	<b>2,000</b>	<b>1,000</b>
<b>Total liabilities to credit institutions</b>	<b>2,000</b>	<b>1,000</b>

In 2009, Saab established a Medium Term Note (MTN) programme with a limit of MSEK 3,000 or an equivalent value in EUR. The MTN programme provides access to financing for up to 15 years, which is an element in diversifying loan maturities.

During 2014, a MTN of MSEK 1,000 was issued.

**NOTE 37** EMPLOYEE BENEFITS

Saab has two types of pension plans: defined-benefit and defined-contribution. In defined-benefit plans, post-employment compensation is based on a percentage of the recipient's salary. In defined-contribution plans, pensions are based on the premiums paid and return on assets.

**Sweden**

The predominant plan in Sweden is the ITP plan under collective agreements adopted by the Confederation of Swedish Enterprise and the Negotiation Cartel for Salaried Employees in the Private Business Sector (PTK). Saab in Sweden has three different ways of securing the defined-benefit plans. They are secured as liabilities in the balance sheet, in pension funds or funded through insurance with mainly Alecta. The Saab Pension Fund, that secured part of the ITP plan, had assets of MSEK 5,091 (4,595) as of 31 December 2014, compared to an obligation of MSEK 7,428 (5,793) according to IAS 19, or a solvency margin of 69 per cent (79).

The following applies to the portion of the defined-benefit plans secured through insurance with Alecta. According to a pronouncement by the Swedish Financial Reporting Board, UFR 3 Classification of ITP plans financed by insurance in Alecta, this is a defined-benefit plan that comprises multiple employers. Alecta is unable to make a precise distribution of assets and liabilities for each employer. As a result, Saab cannot report its proportionate share of the plan's obligations, assets under management and costs, which is why it has not been possible to report this plan as a defined-benefit plan. The ITP 2 pension plan, which is secured through insurance with Alecta, is therefore reported as a defined-contribution plan. No premiums for defined-benefit plans are paid to Alecta.

The collective funding ratio is of the market value of Alecta's assets as a percentage of the insurance obligations calculated according to Alecta's actuarial methods and assumptions, which do not conform to IAS 19. The collective funding ratio should normally be allowed to vary between 125 and 155 per cent. At year-end 2014, Alecta's surplus in the form of the collective funding ratio amounted to 143 per cent (148).

**USA**

The US has a defined-benefit plan which includes some employees as well as a supplementary plan for certain senior executives. The plans are company-specific according to an agreement in 1986 between the employees and the company, and the plans include retirement and survivor's pension. The pension is not vested during the first five years of employment, and the retirement age is 65. Payments corresponding to accrued pensions are made yearly to an external trustee in order to secure the pension commitment.

**Switzerland**

Switzerland has a defined-benefit plan that includes all employees and where minimum benefits are prescribed by law. The company is affiliated with a collective foundation for the purpose of insuring its employees' old age and survivor's pension, and payments are made annually. Provisions for pensions are made by both employer and employees. The employee may elect to receive the full pension as a lump sum at retirement.

**Other countries**

The pension plans in other countries are not of significant amounts and are therefore reported together with Sweden below.

**Disclosures regarding defined-benefit plans**

MSEK	Group			
	Sweden	USA	Switzerland	Total
<b>2014-12-31</b>				
<b>Wholly or partially funded obligations</b>				
Present value of defined-benefit obligations	7,730	291	132	8,153
Fair value of assets under management	-5,154	-350	-121	-5,625
<b>Present value of net obligation</b>	<b>2,576</b>	<b>-59</b>	<b>11</b>	<b>2,528</b>

Share funded	67%	120%	92%	69%
Average duration of pension obligation	19	11	17	

**The net amount as well as 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

MSEK	Group			
	Sweden	USA	Switzerland	Total
<b>2013-12-31</b>				
<b>Wholly or partially funded obligations</b>				
Present value of defined-benefit obligations	6,080	233	100	6,413
Fair value of assets under management	-4,658	-269	-97	-5,024
<b>Present value of net obligation</b>	<b>1,422</b>	<b>-36</b>	<b>3</b>	<b>1,389</b>

Share funded	77%	115%	97%	78%
Average duration of pension obligation	17	10	15	

**The net amount as well as special employer's contribution is reported in the following items in the statement of financial position**

Provisions for pensions	1,422	-	3	1,425
Provisions for pensions related to special employer's contribution	255	-	-	255
Long-term receivables	-	36	-	36

**Cost reported in the income statement**

MSEK	Group			
	Sweden	USA	Switzerland	Total
<b>2014</b>				
Costs for employment during the current year	173	13	6	192
Net interest expense	60	-3	-	57
<b>Cost of defined-benefit plans in the income statement</b>	<b>233</b>	<b>10</b>	<b>6</b>	<b>249</b>
Cost of defined-contribution plans				565
Payroll tax				197
<b>Total cost of post-employment compensation</b>				<b>1,011</b>

MSEK	Group			
	Sweden	USA	Switzerland	Total
<b>2013</b>				
Costs for employment during the current year	147	14	5	166
Net interest expense	74	-	-	74
<b>Cost of defined-benefit plans in the income statement</b>	<b>221</b>	<b>14</b>	<b>5</b>	<b>240</b>
Cost of defined-contribution plans				580
Payroll tax				210
<b>Total cost of post-employment compensation</b>				<b>1,030</b>

Note 37, cont.

**Items included in the statement of cash flow**

2014 MSEK	Group			
	Sweden	USA	Switzerland	Total
Deposit to pension fund and other funding	-199	-21	-7	-227
Payments	-236	-13	-	-249
Withdrawals	194	13	-	207
<b>Total impact on cash flow</b>	<b>-241</b>	<b>-21</b>	<b>-7</b>	<b>-269</b>

2013 MSEK	Group			
	Sweden	USA	Switzerland	Total
Deposit to pension fund and other funding	-4	-26	-5	-35
Payments	-216	-12	-3	-231
Withdrawals	2	12	3	17
<b>Total impact on cash flow</b>	<b>-218</b>	<b>-26</b>	<b>-5</b>	<b>-249</b>

Estimated payments during 2015 amount to approximately MSEK 260.

Actuarial gains and losses are reported in other comprehensive income.

Actuarial losses related to pensions amounted to MSEK 983 in 2014 primarily due to the following. The return on assets under management was higher than expected at 10.5 per cent, compared to an anticipated 4.0 per cent, which produced an actuarial gain of MSEK 324. The actuarial loss on pension obligations amounted to MSEK 1,307, which was due to a 150 basis point lower discount rate and to experience adjustments. The 50 basis point lower inflation assumption was partly offset by the interest rate cut and has reduced the actuarial loss. Changes in demographic assumptions have not had a significant effect.

The actuarial loss related to special employer's benefits amounted to MSEK 232 during 2014. The actuarial loss related to other long-term service awards amounted to MSEK 5.

**Changes in net obligation for defined-benefit plans reported in the statement of financial position**

MSEK	Group	
	2014	2013
Net obligation for defined-benefit plans, 1 January	1,389	2,420
Compensation paid	-249	-231
Deposits to pension fund and other funding	-227	-35
Cost reported in the income statement	249	240
Income (-) /cost (+) reported in comprehensive income	983	-1,017
Settlement/Translation difference	-6	-5
Withdrawals from pension funds	207	17
Transferred operations	182	-
<b>Net obligation for defined-benefit plans, 31 December</b>	<b>2,528</b>	<b>1,389</b>

**Change in pension obligation**

MSEK	Group	
	2014	2013
Fair value, 1 January	6,413	7,164
Benefits vested during the year	192	166
Interest expense	257	215
Pension disbursements	-249	-231
Settlement	-9	-45
Transferred operations	182	-
Actuarial gain (-) /loss (+)	1,307	-859
Translation differences	60	3
<b>Fair value, 31 December</b>	<b>8,153</b>	<b>6,413</b>

**Change in assets under management**

MSEK	Group	
	2014	2013
Fair value, 1 January	5,024	4,744
Financial income	202	143
Withdrawals	-207	-17
Settlement	-11	-47
Contributions	227	35
Actuarial gain	324	158
Translation differences	66	8
<b>Fair value, 31 December</b>	<b>5,625</b>	<b>5,024</b>

**The cost is reported on the following lines in the income statement**

MSEK	Group	
	2014	2013
Cost of goods sold	755	757
Marketing expenses	82	85
Administrative expenses	66	62
Research and development costs	51	52
Financial expenses	57	74
<b>Total cost of post-employment compensation</b>	<b>1,011</b>	<b>1,030</b>

Interest expense on the pension obligation less financial income on assets under management is classified as financial expense. Other pension costs are divided by function in the income statement in relation to how payroll expenses are charged to the various functions.

**Sensitivity analysis (excluding special employer's contribution)**

MSEK	Group	
	Change	Change in obligation
Discount rate	0.25%	-357
	-0.25%	383
Inflation	0.25%	384
	-0.25%	-360
Salaries	0.25%	83
	-0.25%	-77
Life span	+1 year	311

**Return on assets under management**

MSEK	Group	
	2014	2013
Actual return on assets under management	526	301
Financial income on assets under management	-202	-143
<b>Actuarial result from assets under management during the year</b>	<b>324</b>	<b>158</b>

**Governance**

Defined-benefit pensions and pension plan assets are governed by the Pension Board, which resumes 4-5 times per year and has the following responsibilities:

- Appoint the members of and authorise the Investment Committee
- Appoint and authorise the Fund Manger
- Annually establish and approve the Investment Policy
- Decide on strategic (long-term) and tactical (short-term) asset allocation and allow deviations in accordance with the terms of the SAA and TAA mandate
- Annually approve the benchmark indices for follow up of the pension fund assets
- Annually approve the stop loss limit

Note 37, cont.

**Investment strategy and risk management**

The Pension fund manages the allocation and investment of assets with the aim to increase the consolidation level over time, assets versus pension liabilities. This means that certain risks are accepted in order to increase the return. The investment horizon is long-term and the allocation ensures that the investment portfolio is well diversified.

The Fund is subject to a number of restrictions and limitations followed up by Group Treasury, Middle Office. Middle Office reports directly to the Board of Directors and to the Head of the Investment Committee. On an over-all level, stop loss limit and alarm levels aim at assuring a maximum loss of the assets of the Fund.

**Assets under management divided by asset class**

Per cent	Group			
	2014	of which listed on an active market	2013	of which listed on an active market
Interest-bearing assets	48	100	48	100
Share-related assets	35	100	36	100
Hedge funds	14	-	14	-
Property	1	-	1	-
Liquid assets	2	-	1	-
<b>Total assets</b>	<b>100</b>	<b>83</b>	<b>100</b>	<b>84</b>

**Assumptions for defined-benefit obligations**

Per cent	Group				
	2014	2013	2012	2011	2010
<b>Significant actuarial assumptions as of closing day (expressed as weighted averages)<sup>1)</sup></b>					
Discount rate, 31 December	2.50	4.00	3.00	3.50	4.80
Future salary increase	2.50	3.00	3.00	3.00	3.00
Future increase in pensions	1.50	2.00	2.00	2.00	2.00
Employee turnover	3.00	3.00	3.00	3.00	3.00

<sup>1)</sup> 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:** Assumed to be as high as the increase in the basic income amount. This means that Saab expects the same salary increases as the national average.

**Long-term increase in basic income:** Data from Statistics Sweden on current wage increases in the private sector provide an historical average during the period 1974–2000 of approximately 1 per cent above inflation.

**Long-term inflation assumption:** The long-term inflation assumption is based on market pricing of inflation on maturities corresponding to the pension liability's duration. For 2014, the assumption is 1.5 per cent.

**Mortality:** Mortality is the same assumption recommended by the Financial Supervisory Authority (FFFS 2007:31), based on Makeham formulas for men and women.

**Marriage:** Marriage is the same assumption recommended by the Financial Supervisory Authority (FFFS 2001:13).

**Employee turnover:** The likelihood that an individual ends his/her employment is assumed to be 3 per cent per year.

**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	31-12-2014	31-12-2013
Pension obligations ITP	3,982	3,818
Less funds secured in pension fund	-3,982	-3,737
<b>Total ITP and the book reserve method</b>	<b>-</b>	<b>81</b>
Other pensions	65	63
Other provisions for pensions	75	75
<b>Total</b>	<b>140</b>	<b>219</b>
Of which credit guarantees in PRI Pensionsgaranti	63	141

MSEK	2014	2013
Amount related to pension obligations ITP expected to be settled within 12 months	165	162

**Long-term incentive programme**

In April 2007, Saab's Annual General Meeting resolved to offer permanent employees the opportunity to participate in a Share Matching Plan. The Board considers it important that Saab's employees share a long-term interest in the value development of the company's shares. Employees who participate in the plan can have up to 5 per cent of their gross base salary withheld to purchase Series B shares on Nasdaq Stockholm during a twelve-month period. If the employee retains the purchased shares for three years after the investment date and is still employed by the Saab Group, the employee will be allotted a corresponding number of Series B shares free of charge.

In April 2008, Saab's Annual General Meeting resolved to introduce a performance-based plan for senior Executives and key employees entitling them to 2–5 matching shares, depending on the employee category to which they belong. Up to 286 key employees, including the President and CEO, may allocate a maximum of 7.5 per cent of their gross fixed salary for the purchase of Saab Series B shares. In addition to the requirement that the employee remain employed by Saab after three years, an additional requirement calls for earnings per share to grow in the range of 5 to 15 per cent on average per year during the three-year period for allocation of matching shares under the Performance Share Plan.

In April 2011, Saab's Annual General Meeting amended the terms of the Performance Share Plan, as compared to previous years' programmes, to allow those eligible for the programme to also participate in Saab's Share Matching Plan and entitling Performance Share Plan 2011 participants to 1–4 matching shares, depending on employee category. The Board may reduce the number of shares to be matched if the Board considers it reasonable in relation to the company's financial results and position, conditions on the stock market and other circumstances.

In April 2014, Saab's Annual General Meeting resolved to modify the Performance Share Plan 2014 to increase interest of the program among the target group. The purpose of the amendments is to attract and retain competence on competitive terms as well as to better reflect Saab's business strategy and financial targets. The Performance Share Plan is designed for a maximum of 175 key employees, including the President and CEO. Participants can save up to 7.5 percent of their base salary to purchase series B shares during a twelve-month period. Investments made under this programme also count as a basis for participation in the Share Matching Plan 2014, though only up to a maximum 5 per cent of base salary. If the purchased shares are retained by the employee for three years and employment within the Saab Group continues, the employee will be entitled to matching performance shares at no cost, provided that the performance targets are met. The programme gives the employee the right to 2–7 performance shares for each purchased share.

The number of performance shares is linked to the performance targets established by the Board of Directors. The conditions for the performance matching are based on three independent targets: organic sales growth<sup>1)</sup>, EBIT margin<sup>2)</sup> and operating cash flow<sup>3-4)</sup> during the financial year 2015. The relative apportionment between the targets is that 30 per cent of the allotment is attributable to organic sales growth, 40 per cent to EBIT margin and 30 per cent to operating cash flow. The performance targets are established by the Board of Directors with a minimum level and a maximum level for each target. The Board of Directors will determine the performance matching after the conclusion of the one-year performance measuring period, i.e. the fiscal year 2015. 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 proportionate performance matching will occur. No performance matching will occur if the performance outcome amounts to or falls short of the minimum level. Performance shares are allotted three years after the investment, i.e. normally during 2018 and in January 2019. Before the performance matching is ultimately determined, the Board of Directors will assess whether the performance matching is reasonable in relation to the company's financial results

Note 37, cont.

and position, conditions in the stock market and other circumstances. If the Board of Directors 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 that the Board of Directors considers appropriate.

- 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) As of 1 January 2014, free cash flow is reported for the Group. It was previously named operating cash flow. The performance target related to cash flow in the Performance Share Plan 2014 is named "operating cash flow" according to the decision by the Annual General Meeting. In the Board's proposal to the Performance Share Plan 2015 it suggests that the performance target related to cash flow that in the 2014 programme is named "operating cash flow" will be named "free cash flow" in the 2015 programme.
- 4) Adjusted for acquisitions and divestments as well as non-recurring items.

#### 2010 Share Matching Plan

In April 2010, Saab's Annual General Meeting resolved to adopt a fourth Share Matching Plan with terms comparable to previous years' plans. Matching took place on three occasions in 2014 and once in January 2015, at which point the plan had concluded.

#### 2011–2013 Share Matching Plan

For the 2011–2013 period, Saab's Annual General Meeting resolved to renew the Share Matching Plan with terms comparable to previous years' plans.

#### Number of Series B shares purchased and number of participants, Share Matching Plan, 2010–2013

Share Matching Plan	Number of shares	Number of participants
2010	303,033	2,315
2011	495,874	2,970
2012	491,142	3,475
2013	323,937	3,781

#### 2010 Performance Share Plan

For 2010, Saab's Annual General Meeting resolved to adopt a renewed, third Performance Share Plan with terms comparable to previous years' plans. Following the close of the measurement period on 31 December 2013 it was determined that the requirement of annual average earnings per share growth of 5 to 15 per cent during the three-year period had been achieved and totalled approximately 77 per cent. Accordingly, participants have received a maximum matching award. Matching has taken place on three occasions in 2014 and once in January 2015 with a total of 119,907 shares.

#### 2011 Performance Share Plan

For 2011 Saab's Annual General Meeting resolved to adopt a renewed, fourth Performance Share Plan with revised terms as described above. After the measurement period, on 31 December 2014, it was determined that the requirement of annual average earnings per share growth of 5–15 per cent had not been achieved during the three-year period, due to which no performance shares will be allocated in 2015.

#### 2012 Performance Share Plan

For 2012, Saab's Annual General Meeting resolved to adopt a renewed, fifth Performance Share Plan with terms comparable to the 2011 Share Plan. At year-end 2014, it was determined that the annual target of 5–15 per cent average earnings per share growth is unlikely to be achieved during the three-year period.

#### 2013 Performance Share Plan

In 2013, Saab's Annual General Meeting resolved to adopt a renewed, sixth Performance Share Plan with terms comparable to the 2011 Share Plan.

#### Number of Series B shares purchased and number of participants, Performance Share Plan, 2010–2013

Share Matching Plan	Number of shares	Number of participants
2010	46,972	115
2011	85,474	176
2012	72,213	177
2013	44,989	164

#### 2014 Share Matching Plan and Performance Share Plan

In April 2014, Saab's Annual General Meeting resolved in the same way as in previous years to offer employees a Share Matching Plan and a modified Performance Share Plan. The Performance Share Plan, which covers senior executives and key employees, entitles participants to 2–7 matching shares, depending on the employee category. The plans commenced in January 2015 and continue through the calendar year 2015. The two plans comprise a maximum of 1,340,000 shares.

Share Matching Plan	2010	2011	2012	2013	Total
Number of matching shares at beginning of the year	278,869	463,804	411,988	-	1,154,661
Allotted during the year (purchased shares)	-	-	68,311	323,937	392,248
Early share matching	-7,326	-10,805	-7,683	-1,398	-27,212
Ordinary share matching	-224,665	-	-	-	-224,665
Forfeited matching shares	-3,674	-5,155	-3,660	-4,763	-17,252
<b>Number of matching shares eligible at year-end</b>	<b>43,204</b>	<b>447,844</b>	<b>468,956</b>	<b>317,776</b>	<b>1,277,780</b>
Number of participants, 31 December 2014	1,935	2,651	3,191	3,678	
% of total number of employees	14	19	23	26	
Average remaining maturity, years	0.0	0.7	1.7	2.7	

Performance share Plan	2010	2011	2012	2013	Total
Number of matching shares at beginning of the year	43,844	79,370	62,525	-	185,739
Allotted during the year (purchased shares)	-	-	9,688	44,989	54,677
Early share matching	-	-2,068	-861	-560	-3,489
Ordinary share matching	-36,696	-	-	-	-36,696
Forfeited matching shares	-	-4,166	-2,450	-486	-7,102
<b>Number of matching shares eligible at year-end</b>	<b>7,148</b>	<b>73,136</b>	<b>68,902</b>	<b>43,943</b>	<b>193,129</b>
Number of participants, 31 December 2014	95	156	168	161	
Average remaining maturity, years	0.0	0.7	1.7	2.7	

Total number of shares eligible at year-end	2010	2011	2012	2013	Total
Share Matching Plan	43,204	447,844	468,956	317,776	1,277,780
Performance Share Plan	7,148	73,136	68,902	43,943	193,129
Less: Shares included in both plans	-	-73,136	-68,902	-43,943	-185,981
<b>Total</b>	<b>50,352</b>	<b>447,844</b>	<b>468,956</b>	<b>317,776</b>	<b>1,284,928</b>

Recognised expense for above-mentioned plan, including social security expenses	2014	2013
Share Matching Plan 2009	-	17
Share Matching Plan 2010	-	16
Share Matching Plan 2011	23	20
Share Matching Plan 2012	28	10
Share Matching Plan 2013	11	-
Performance Share Plan 2009	-	5
Performance Share Plan 2010	5	5
Performance Share Plan 2011	-	-3
Performance Share Plan 2012	-3	3
Performance Share Plan 2013	2	-
<b>Total</b>	<b>83</b>	<b>73</b>

The expense for the share plans is included in operating income and is recognised in

Note 37, cont.

the balance sheet as equity and accrued expenses (social security expenses). Administrative expenses for the share matching plans amounted to MSEK 7 (6) in 2014.

The expense is calculated as the fair value of the services rendered is based on the share price of the matching shares that are expected to be allotted. The share price is determined at the time of the participants' investment adjusted by the dividend that does not accrue to the employee during the vesting period.

## 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 2014 – April 2015, amount to SEK 4,635,000 (4,435,000), consisting of SEK 1,230,000 (1,185,000) to the Chairman, SEK 525,000 (490,000) to the Deputy Chairman and SEK 480,000 (460,000) 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 2014 – April 2015, committee chairman Per-Arne Sandström also received a fee of SEK 180,000 (150,000) and committee members Johan Forssell and Joakim Westh each received a fee of SEK 120,000 (100,000).

For remuneration committee work, during the term April 2014 – April 2015, 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 2014 is shown in the table below.

In her capacity as a consultant, Director Cecilia Stegö Chilò has also received compensation from Saab AB of SEK 170,000 (212,500 including VAT) to assist the company on Public Affairs and communication issues in connection with the Gripen campaign in Switzerland during the period February – May 2014. The consulting assignment has been completed.

### Remuneration to the President

The salary paid to the President and CEO consists of a fixed salary. The previous short-term variable portion was discontinued as of 2011 in accordance with the resolution of the Annual General Meeting. The preparation process for compensation issues regarding the President is handled by the Board's Remuneration Committee according to the principles laid down by the Annual General Meeting and then voted on by the Board.

Håkan Buskhe has participated since 1 September 2010 in the Performance Share Plans approved by the 2009, 2010, 2011, 2012, and 2013 Annual General Meetings and in the Share Matching Plans 2011, 2012, and 2013.

Outstanding matching rights in the Performance Share Plan 2010 amount to SEK 495,045 (2,114,977) as of 31 December 2014 at estimated outcomes and in the Performance Share Plan and the Share Matching Plan 2011 to SEK 331,897 (188,588) at estimated outcomes. Corresponding figures for the Performance Share Plans and the Share Matching Plans 2012 and 2013 are SEK 196,889 (334,391) and 362,585 respectively, at estimated outcomes.

During the period 1 January through 31 December 2014, Håkan Buskhe received salary and other benefits totalling SEK 12,003,325 (11,584,583), of which other benefits, including share related plans, amounted to SEK 1,407,998 (1,701,415).

### 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. During his first five years of employment, the President also receives an extra pension contribution of SEK 440,000 per year, payment of which is made annually and is conditional on Håkan Buskhe remaining an employee.

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

For 2014, the cost of Håkan Buskhe's pension, including ITP, was SEK 4,222,203 (3,594,269).

### 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 9 (9) individuals at 31 December 2014; specifically, Executive Vice Presidents, Heads of the Business Areas and Heads of Group staffs. At 31 December 2014 Group Management was comprised of Håkan Buskhe (President), Lennart Sindahl, Magnus Örnberg, Görgen Johansson, Micael Johansson, Gunilla Fransson, Lars-Erik Wige, Annika Bäreemo, Dan Jangblad, and Lena Eliasson.

The salaries paid to other senior executives consist of a fixed salary. The previous short-term variable portion was discontinued as of 2011 in accordance with the resolution of the Annual General Meeting. Compensation issues regarding the other senior executives are prepared by the Head of Group Human Resources and presented to the President, who makes a decision pending the approval of the Compensation Committee and the Board.

Of the other senior executives, two individuals received cash settlements of a non-recurring nature upon recruitment according to a resolution 2012. An amount totalling SEK 1,990,000 will be paid during a period of 36 months from the start of employment. The payments are made monthly in the form of pension premiums and are conditional upon the recipients not giving notice of termination of employment. SEK 663,336 has been paid during 2014.

Since November 2008, all eligible executives have participated in the Performance Share Plans approved by the Annual General Meetings in 2009, 2010, 2011, 2012, and 2013 and in the Share Matching Plans 2011, 2012, and 2013. The Performance Share Plan 2010 was concluded in January 2015. Outstanding matching rights in the Performance Share Plan 2010 amount to SEK 368,313 (1,637,726) as of 31 December 2014 at estimated outcomes and in the Performance Share Plan and the Share Matching Plan 2011 to SEK 637,833 (357,831) as of 31 December 2014 at estimated outcomes. Corresponding figures for the Performance Share Plans and the Share Matching Plans 2012 and 2013 amount to SEK 476,532 (648,191) and SEK 624,927, respectively, at estimated outcomes.

In 2014, the other senior executives received salaries and other benefits totalling SEK 34,550,213 (41,886,223), of which other benefits, including share related plans, amounted to SEK 3,616,076 (3,975,317).

### Pension terms

As of 1 January 2005, a pension age of 62 years applies to new executives. Among other senior executives, one individual has a retirement age of 60 years.

In addition to ITP, 9 members of the group (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 2014, pension costs for other senior executives, including ITP and its equivalent, amounted to SEK 12,063,664 (13,533,737). Other senior executives are entitled, or obliged if the company so requests, to retire on pension as of the age of 60 or 62 years.

### Severance terms

If terminated by the company, the group of other senior executives will receive a salary and pension benefits for six months (period of notice). Thereafter they will receive severance pay equivalent to 18 months of salary, based on their fixed salary. Severance is paid monthly with the first payment in the month after employment has ended. Severance is not paid for the period that falls after the contractual pension age. Employees hired before 1 January 2005 who have reached the age of 55 are entitled to another six months of severance.

The salary during the period of notice and severance will be deducted from

Note 37, cont.

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

#### Other benefits

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

#### Summary of compensation and other benefits during 2014

SEK	Base salary/ Board and committee fee	Variable compensation	Share related plans <sup>2)</sup>	Other benefits <sup>3)</sup>	Pension cost	Total	Outstanding matching rights in share related plans at estimated outcomes <sup>2)</sup>
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 <sup>4)</sup>	-
Cecilia Stegö Chilö	475,000	-	-	-	-	475,000	-
Lena Treschow Torell	610,000	-	-	-	-	610,000 <sup>4)</sup>	-
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 <sup>1)</sup>	1,804,352	1,811,724	12,063,664	46,613,877	2,107,656
<b>Total</b>	<b>46,148,628</b>	<b>663,336</b>	<b>3,170,451</b>	<b>1,853,623</b>	<b>16,285,867</b>	<b>68,121,905</b>	<b>3,494,072</b>

<sup>1)</sup> Including remuneration to two senior executives, which, according to a resolution, was paid in the form of pension premiums, see information for 2013 below.

<sup>2)</sup> Share related plans relate to both Share Matching Plans and Performance Share Plans.

<sup>3)</sup> Including compensation for the additional costs the benefits lead to.

<sup>4)</sup> Social security costs must be added since parts of the fees are invoiced through a limited company. Board members who invoice the amount for board and committee fees through a limited company may on their invoices add an amount for social security contributions. The social security contributions included in the invoiced amount do not exceed the employer's contribution the company otherwise would have paid.

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

#### Summary of compensation and other benefits during 2013

SEK	Base salary/ Board and committee fee	Variable compensation	Share related plans <sup>3)</sup>	Other benefits <sup>4)</sup>	Pension cost	Total	Outstanding matching rights in share related plans at estimated outcomes <sup>3)</sup>
Chairman of the Board							
Marcus Wallenberg	1,260,000	-	-	-	-	1,260,000	-
Deputy Chairman							
Sten Jakobsson	567,500	-	-	-	-	567,500	-
Other Board members							
Sara Mazur	345,000	-	-	-	-	345,000 <sup>5)</sup>	-
Åke Svensson	112,500	-	-	-	-	112,500 <sup>6)</sup>	-
Johan Forssell	557,500	-	-	-	-	557,500	-
Per-Arne Sandström	607,500	-	-	-	-	607,500	-
Cecilia Stegö Chilö	457,500	-	-	-	-	457,500	-
Lena Treschow Torell	592,500	-	-	-	-	592,500 <sup>7)</sup>	-
Joakim Westh	557,500	-	-	-	-	557,500	-
President and CEO Håkan Buskhe	9,883,168	-	1,644,736	56,679	3,594,269	15,178,852	3,010,124
Other senior executives	36,103,001 <sup>1)</sup>	1,807,905 <sup>2)</sup>	2,018,173	1,957,144	13,533,737	55,419,960	2,850,239
<b>Total</b>	<b>51,043,669</b>	<b>1,807,905</b>	<b>3,662,909</b>	<b>2,013,823</b>	<b>17,128,006</b>	<b>75,656,312</b>	<b>5,860,363</b>

<sup>1)</sup> Including estimated remuneration allocated for senior executives who left Group Management in 2013.

<sup>2)</sup> Including remuneration to two senior executives, which, according to a resolution in 2012, is paid in the form of pension premiums during a period of 36 months from the start of employment and cash settlements to one senior executive, according to a resolution in 2013.

<sup>3)</sup> Share related plans relate to both Share Matching Plans and Performance Share Plans.

<sup>4)</sup> Including compensation for the additional costs the benefits lead to.

<sup>5)</sup> Was elected to the Board in April 2013 and has received remuneration for the period April-December.

<sup>6)</sup> Left the Board of Directors in April 2013, after informing that he had declined re-election, and has received remuneration for the period January-March.

<sup>7)</sup> Social security costs must be added since parts of the fees are invoiced through a limited company. Board members who invoice the amount for board and committee fees through a limited company may on their invoices add an amount for social security contributions. The social security contributions included in the invoiced amount do not exceed the employer's contribution the company otherwise would have paid.

**NOTE 38** PROVISIONS

MSEK	Group	
	31-12-2014	31-12-2013
<b>Provisions that are long-term liabilities</b>		
Obligations related to regional aircraft	207	515
Expenditures for restructuring measures	58	84
Onerous contracts	223	161
Other	746	283
<b>Total</b>	<b>1,234</b>	<b>1,043</b>

<b>Provisions that are current liabilities</b>		
Obligations related to regional aircraft	59	100
Expenditures for restructuring measures	53	137
Onerous contracts	103	122
Other	297	300
<b>Total</b>	<b>512</b>	<b>659</b>

MSEK	Parent Company	
	31-12-2014	31-12-2013
Obligations related to regional aircraft	217	270
Expenditures for restructuring measures	48	164
Onerous contracts	112	163
Other	261	235
<b>Total</b>	<b>638</b>	<b>832</b>

**Obligations related to regional aircraft**

MSEK	Group	Parent Company
Opening balance, 1 January 2014	615	270
Amount utilised during the year	-414	-53
Translation differences and other	65	-
<b>Closing balance, 31 December 2014</b>	<b>266</b>	<b>217</b>

**Expenditures for restructuring measures**

MSEK	Group	Parent Company
Opening balance, 1 January 2014	221	164
Provisions allocated during the year	70	46
Business combinations	2	-
Amount utilised during the year	-170	-149
Reversal of unutilised amount	-14	-13
Reclassification	2	-
<b>Closing balance, 31 December 2014</b>	<b>111</b>	<b>48</b>

**Onerous contracts**

MSEK	Group	Parent Company
Opening balance, 1 January 2014	283	163
Provisions allocated during the year	127	62
Business combinations	77	-
Amount utilised during the year	-100	-78
Reversal of unutilised amount	-75	-35
Reclassification	9	-
Translation differences and other	5	-
<b>Closing balance, 31 December 2014</b>	<b>326</b>	<b>112</b>

**Other provisions**

MSEK	Group	Parent Company
Opening balance, 1 January 2014	583	235
Provisions allocated during the year	212	135
Business combinations	522	-
Amount utilised during the year	-151	-87
Reversal of unutilised amount	-138	-22
Translation differences and other	15	-
<b>Closing balance, 31 December 2014</b>	<b>1,043</b>	<b>261</b>

**Total provisions**

MSEK	Group	Parent Company
Opening balance, 1 January 2014	1,702	832
Provisions allocated during the year	409	243
Business combinations	601	-
Amount utilised during the year	-835	-367
Reversal of unutilised amount	-227	-70
Reclassification	11	-
Translation differences and other	85	-
<b>Closing balance, 31 December 2014</b>	<b>1,746</b>	<b>638</b>

**Regional aircraft**

Commitments regarding regional aircraft refer to obligations remaining after the termination of the leasing portfolio, that will be terminated during 2015.

**Restructuring**

Structural costs primarily relate to the costs to adapt resources and changeover costs. The expenditure is expected to fall in 2015–2016.

**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.

Business combinations 2014 relate to ThyssenKrupp Marine Systems AB.

**NOTE 39** OTHER LIABILITIES

MSEK	Group	
	31-12-2014	31-12-2013
<b>Other long-term liabilities</b>		
Liabilities to previous owners and minority owners	76	113
Liabilities related to employees	46	43
Other	19	23
<b>Total</b>	<b>141</b>	<b>179</b>
Of which liabilities due for payment more than five years after closing day	32	72
<b>Other current liabilities</b>		
Value-added tax	328	165
Employee withholding taxes	226	205
Liabilities to associated companies	21	6
Other	403	463
<b>Total</b>	<b>978</b>	<b>839</b>

Note 39, cont.

MSEK	Parent Company	
	31-12-2014	31-12-2013
Value-added tax	222	81
Employee withholding taxes	141	148
Other	458	704
<b>Total</b>	<b>821</b>	<b>933</b>
Of which liabilities due for payment more than five years after closing day	-	43

Other liabilities in the Parent Company include both interest-bearing and non-interest-bearing liabilities. For a comparison with the Group, see also note 35.

Saab does not consider there to be a significant difference between book and fair value.

## NOTE 40 ACCRUED EXPENSES AND DEFERRED INCOME

MSEK	Group		Parent Company	
	31-12-2014	31-12-2013	31-12-2014	31-12-2013
<b>Accrued expenses</b>				
Vacation pay liability	995	914	719	698
Accrued project costs	944	852	508	563
Social security expenses	613	435	473	324
Expected invoices	306	266	144	192
Personnel liabilities	263	237	165	178
Claims reserve	80	101	11	2
Royalties and commissions	60	134	39	114
Other	285	316	365	232
<b>Total accrued expenses</b>	<b>3,546</b>	<b>3,255</b>	<b>2,424</b>	<b>2,303</b>
<b>Deferred income</b>				
Liabilities to customers	2,038	2,456	1,528	2,162
Capitalised changes in value related to forward contract rollovers	-	-	194	330
Other	25	24	21	24
<b>Total deferred income</b>	<b>2,063</b>	<b>2,480</b>	<b>1,743</b>	<b>2,516</b>
<b>Total</b>	<b>5,609</b>	<b>5,735</b>	<b>4,167</b>	<b>4,819</b>

Saab does not consider there to be a significant difference between book and fair value.

## NOTE 41 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Saab's financial assets and liabilities and contractual obligations give rise to financial risks. These risks are managed to a large extent with various financial instruments.

### Financial risk management

The Board of Directors of Saab has approved a Group Treasury Policy, which provides an overall description of the management of financial risks and treasury operations. The goal is to identify and actively manage financial risks in order to reduce the negative impact on the Group's results, competitive strength and financial flexibility.

The financial risks are defined as follows:

- Foreign currency risk
- Interest rate risk
- Liquidity and financing risk
- Commodity risk
- Credit and counterparty risk

Saab uses derivatives primarily to:

- convert anticipated commercial cash flows in foreign currency to SEK
- convert the fixed interest periods for assets and liabilities

Responsibility for managing the Group's financial risks and developing methods and principles to manage financial risks is centralised in Group Treasury. The operating business areas have directives and processes that describe how financial risks shall be managed. Furthermore, Group Management has issued detailed directives and guidelines for Group Treasury's operations.

Management of insurance is centralised in the Group's insurance company, Lansen Försäkrings AB, where external transactions are handled as well. Customer finance, guaranty and finance issues are also managed by Group Treasury.

The Group's internal bank, Saab Treasury, is responsible for the Group's cash management, financing, management of interest rate and currency risks and also electricity price risks. Saab has an agreement with an external party to manage the Group's electricity price risks through discretionary management. Other commodity risk is managed primarily through contractual clauses.

To a limited extent, the Group Treasury Policy allows proprietary trading in interest rate 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. Saab Treasury has a risk mandate expressed as VaR (Value at Risk) of MSEK 50 (50), which is divided between management of economic risks in the Tender to Contract portfolio, trading and electricity derivatives. During the year, approximately MSEK 15 was allocated to the trading portfolio, approximately MSEK 1 to electricity derivatives and approximately MSEK 34 to the Tender to Contract portfolio. VaR is a probability-based method based on historical price fluctuations and correlations and is considered a standard in the financial industry. The method provides an estimation of the maximum loss over a specific number of days, with a certain probability. Saab uses three days and a 99-per cent probability. The Treasury Risk Analysis unit reports each portfolio's risk defined according to established risk measures to Saab's CFO on a daily basis.

### Financial instruments

Financial assets in the Group mainly comprise accounts receivable, accrued income, interest-bearing receivables, liquid assets, fixed income investments and derivatives with positive market values. Saab's financial liabilities mainly comprise interest-bearing liabilities, accounts payable, accrued expenses and derivatives with negative market values. The following tables show a subdivided statement of financial position categorised and classified according to IAS 39. A more detailed description of the categories can be found in note 1, Accounting principles.

Note 41, cont.

Classification and categorisation of financial assets and liabilities	Fair value through profit and loss for trading	Fair value through other comprehensive income as available-for-sale	Designated as at fair value through profit and loss	Held-to-maturity investments	Loans receivable and accounts receivable	Financial liabilities	Derivatives identified as cash flow hedges	Derivatives identified as fair value hedges	Total financial assets and liabilities	Measured at fair value
<b>31-12-2014</b>										
<b>Financial assets</b>										
Financial investments	-	121	29	142	-	-	-	-	292	294
Long-term receivables	-	-	-	-	152	-	-	-	152	152
Derivatives <sup>1)</sup>										
Forward exchange contracts	14	-	-	-	-	-	401	7	422	422
Currency options	45	-	-	-	-	-	-	-	45	45
Interest rate swaps	-	-	-	-	-	-	-	-	-	-
Electricity derivatives	2	-	-	-	-	-	-	-	2	2
<b>Total derivatives</b>	<b>61</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>401</b>	<b>7</b>	<b>469</b>	<b>469</b>
Accounts receivable and other receivables	-	-	-	-	8,152	-	-	-	8,152	8,152
Short-term investments	-	-	1,270	-	-	-	-	-	1,270	1,270
Liquid assets	-	-	-	-	1,284	-	-	-	1,284	1,284
<b>Total financial assets</b>	<b>61</b>	<b>121</b>	<b>1,299</b>	<b>142</b>	<b>9,588</b>	<b>-</b>	<b>401</b>	<b>7</b>	<b>11,619</b>	<b>11,621</b>
<b>Financial liabilities</b>										
Interest-bearing liabilities	-	-	-	-	-	2,369	-	-	2,369	2,406
Derivatives <sup>1)</sup>										
Forward exchange contracts	61	-	-	-	-	-	1,192	5	1,258	1,258
Currency options	48	-	-	-	-	-	-	-	48	48
Interest rate swaps	9	-	-	-	-	-	78	-	87	87
Electricity derivatives	2	-	-	-	-	-	5	-	7	7
<b>Total derivatives</b>	<b>120</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,275</b>	<b>5</b>	<b>1,400</b>	<b>1,400</b>
Other liabilities	-	-	-	-	-	5,243	-	-	5,243	5,243
<b>Total financial liabilities</b>	<b>120</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,612</b>	<b>1,275</b>	<b>5</b>	<b>9,012</b>	<b>9,049</b>

<sup>1)</sup> Refers to reported values, market value excluding premiums and accrued interest. Otherwise no significant differences between reported and fair value.

Note 41, cont.

Classification and categorisation of financial assets and liabilities	Fair value through profit and loss for trading	Fair value through other comprehensive income as available-for-sale	Designated as at fair value through profit and loss	Held-to-maturity investments	Loans receivable and accounts receivable	Financial liabilities	Derivatives identified as cash flow hedges	Derivatives identified as fair value hedges	Total financial assets and liabilities	Measured at fair value
<b>31-12-2013</b>										
<b>Financial assets</b>										
Financial investments	-	114	40	141	-	-	-	-	295	293
Long-term receivables	-	-	-	-	129	-	-	-	129	129
Derivatives <sup>1)</sup>										
Forward exchange contracts	24	-	-	-	-	-	347	5	376	376
Currency options	8	-	-	-	-	-	-	-	8	8
Interest rate swaps	-	-	-	-	-	-	6	-	6	6
Electricity derivatives	6	-	-	-	-	-	-	-	6	6
<b>Total derivatives</b>	<b>38</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>353</b>	<b>5</b>	<b>396</b>	<b>396</b>
Accounts receivable and other receivables	-	-	-	-	7,378	-	-	-	7,378	7,378
Short-term investments	-	-	2,002	-	-	-	-	-	2,002	2,002
Liquid assets	-	-	-	-	1,764	-	-	-	1,764	1,764
<b>Total financial assets</b>	<b>38</b>	<b>114</b>	<b>2,042</b>	<b>141</b>	<b>9,271</b>	<b>-</b>	<b>353</b>	<b>5</b>	<b>11,964</b>	<b>11,962</b>
<b>Financial liabilities</b>										
Interest-bearing liabilities	-	-	-	-	-	1,709	-	-	1,709	1,714
Derivatives <sup>1)</sup>										
Forward exchange contracts	11	-	-	-	-	-	269	1	281	281
Currency options	12	-	-	-	-	-	-	-	12	12
Interest rate swaps	5	-	-	-	-	-	-	-	5	5
Electricity derivatives	7	-	-	-	-	-	11	-	18	18
<b>Total derivatives</b>	<b>35</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>280</b>	<b>1</b>	<b>316</b>	<b>316</b>
Other liabilities	-	-	-	-	-	5,300	-	-	5,300	5,300
<b>Total financial liabilities</b>	<b>35</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,009</b>	<b>280</b>	<b>1</b>	<b>7,325</b>	<b>7,330</b>

<sup>1)</sup> Refers to reported values, market value excluding premiums and accrued interest. Otherwise no significant differences between reported and fair value.

Note 41, cont.

**The Group's outstanding derivatives**

<b>Currency derivatives</b>			<b>Fair value 2014</b>			<b>Fair value 2013</b>			
Million	Currency	Local currency	Asset SEK	Liability SEK	Net	Local currency	Asset SEK	Liability SEK	Net
Maturity up to 1 year	EUR	-298	45	96	-51	-287	57	74	-17
	USD	-161	187	463	-276	-531	88	39	49
	Other	-	46	100	-54	-	41	49	-8
<b>Subtotal</b>			<b>278</b>	<b>659</b>	<b>-381</b>		<b>186</b>	<b>162</b>	<b>24</b>
Maturity 1 to 3 years	EUR	-112	28	71	-43	-125	51	69	-18
	USD	-421	39	413	-374	-394	94	35	59
	Other	-	20	24	-4	-	11	13	-2
<b>Subtotal</b>			<b>87</b>	<b>508</b>	<b>-421</b>		<b>156</b>	<b>117</b>	<b>39</b>
Maturity 3 to 5 years	EUR	-8	7	11	-4	-17	9	6	3
	USD	74	73	125	-52	-242	26	2	24
	Other	-	14	3	11	-	-	1	-1
<b>Subtotal</b>			<b>94</b>	<b>139</b>	<b>-45</b>		<b>35</b>	<b>9</b>	<b>26</b>
Maturity over 5 years	EUR	41	2	4	-2	-15	5	3	2
	USD	96	29	-	29	-14	2	-	2
	Other	-	17	-	17	-	-	-	-
<b>Subtotal</b>			<b>48</b>	<b>4</b>	<b>44</b>		<b>7</b>	<b>3</b>	<b>4</b>
<b>Currency derivatives, total<sup>1)</sup></b>			<b>507</b>	<b>1,310</b>	<b>-803</b>		<b>384</b>	<b>291</b>	<b>93</b>

<sup>1)</sup> Retained premiums on open currency option contracts amount to MSEK 36 (3).

<b>Interest derivatives</b>			<b>Fair value 2014</b>			<b>Fair value 2013</b>			
Million	Currency	Local currency	Asset SEK	Liability SEK	Net	Local currency	Asset SEK	Liability SEK	Net
Maturity up to 1 year	SEK	-	-	-	-	303	-	8	-8
	USD	1	-	-	-	-	-	-	-
<b>Subtotal</b>			<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>8</b>	<b>-8</b>
Maturity 1 to 3 years	SEK	217	-	12	-12	-	-	-	-
	USD	-	-	-	-	5	-	2	-2
<b>Subtotal</b>			<b>-</b>	<b>12</b>	<b>-12</b>		<b>-</b>	<b>2</b>	<b>-2</b>
Maturity 3 to 5 years	SEK	1,650	-	79	-79	967	5	4	1
<b>Subtotal</b>			<b>-</b>	<b>79</b>	<b>-79</b>		<b>5</b>	<b>4</b>	<b>1</b>
<b>Interest derivatives, total<sup>2)</sup></b>			<b>-</b>	<b>91</b>	<b>-91</b>		<b>5</b>	<b>14</b>	<b>-9</b>

<sup>2)</sup> Market value includes accrued interest of MSEK -4 (-9).

<b>Electricity derivatives</b>			<b>Fair value 2014</b>			<b>Fair value 2013</b>		
Million	Megawatt	Asset SEK	Liability SEK	Net	Megawatt	Asset SEK	Liability SEK	Net
Maturity up to 1 year	20	2	6	-4	19	6	16	-10
<b>Subtotal</b>		<b>2</b>	<b>6</b>	<b>-4</b>		<b>6</b>	<b>16</b>	<b>-10</b>
Maturity 1 to 3 years	11	-	1	-1	14	-	2	-2
<b>Subtotal</b>		<b>-</b>	<b>1</b>	<b>-1</b>		<b>-</b>	<b>2</b>	<b>-2</b>
<b>Electricity derivatives, total</b>		<b>2</b>	<b>7</b>	<b>-5</b>		<b>6</b>	<b>18</b>	<b>-12</b>

<b>Total derivatives</b>			<b>Fair value 2014</b>			<b>Fair value 2013</b>		
Million	Asset SEK	Liability SEK	Net	Asset SEK	Liability SEK	Net		
<b>DERIVATIVES, TOTAL</b>	<b>509</b>	<b>1,408</b>	<b>-899</b>	<b>395</b>	<b>323</b>	<b>72</b>		
(of which derivatives used for cash flow hedges)			-897			74		
Accrued interest and retained premiums, see footnotes 1 and 2 above	-32	-	-32	-	-6	6		
Netting accrued interest and premiums	-8	-8	-	1	-1	2		
<b>DERIVATIVES ACCORDING TO GROUP'S FINANCIAL POSITION</b>	<b>469</b>	<b>1,400</b>	<b>-931</b>	<b>396</b>	<b>316</b>	<b>80</b>		

Note 41, cont.

### Foreign currency risk

The Group hedges the entire order backlog with the help of currency derivatives. As a result, changes in exchange rates do not affect the Group's future results with respect to the current order backlog. Future order bookings are exposed to fluctuations in exchange rates in terms of competitive strength. This is managed partly by Group Treasury, which hedges the economic exposure in fixed price tenders.

#### Definitions

Foreign currency risk refers to the risk that fluctuations in exchange rates will negatively affect income. Exchange rate fluctuations affect Saab's income and equity in various ways:

- Income is affected when sales and the cost of goods and services sold are in currencies other than the functional currency (economic and transaction exposure)
- Income is affected when the income of foreign Group companies is translated to SEK (translation exposure)
- Income or equity is affected when the assets and liabilities of foreign Group companies are translated to SEK (translation exposure)
- Income can be affected by impairment tests of non-hedged future cash flows in foreign currency in unprofitable contracts (impairment testing)

Saab separates the above-mentioned types of exposure in risk management. Policy descriptions are provided under each exposure.

Framework agreements, which contain both transaction and economic exposures, are in place mainly for the various civil aeronautics programmes.

#### Economic exposure

Fixed-price tenders in foreign currency entail a foreign currency risk that constitutes an economic exposure. This risk is limited primarily through contract formulations (foreign currency clauses).

In cases where fixed-price tenders are issued in foreign currency, the net exposure is usually hedged with financial instruments. The foreign currency risk that arises for tenders is managed by Saab Treasury within the framework of the Tender to Contract portfolio. The purpose of the portfolio is to minimise the Group's foreign currency risk during the tender period and reduce hedging costs. The following table shows outstanding nominal net hedges by currency as of year-end.

Net hedges (million)	Forward contracts <sup>1)</sup>		Options <sup>2)</sup>		Total hedge	
	2014	2013	2014	2013	2014	2013
USD	-242	-119	389	-138	147	-257
EUR	-52	-40	-63	-68	-115	-108
GBP	-18	-6	-3	-4	-21	-10
HKD	-96	-	-	-	-96	-
CZK	-	-	-	50	-	50

<sup>1)</sup> Also contains sold call and put options.

<sup>2)</sup> Refers to the net of purchased call and put options.

The tender insurance portfolio is governed by a risk measure based on a probability-weighted VaR measure consisting of two parts. One part is the cumulative VaR measure of the external hedge for each tender hedge. The other part is the cumulative VaR measure of the benchmark hedge for each tender hedge. The benchmark hedge is the hedge to be used externally based on Group Treasury policy. If the external hedges for the portfolio's tender hedges correspond with the portfolio's pre-defined benchmark hedges, the tender insurance portfolio will by definition be risk-neutral – i.e., its VaR measure will be zero.

The VaR for tender hedge portfolio amounted to MSEK 7 (15) at year-end. Hedge accounting is not applied to the portfolio's hedges, due to which the Group's results are affected by the outcome of the tenders and the exchange rate for the underlying currency pair. The portfolio's effect on the Group's result in 2014 was MSEK -5 (-26).

### Transaction exposure

Future cash flows in foreign currency from the order backlog and framework agreements are hedged to safeguard gross margins. In 2014, countries outside Sweden accounted for 55 per cent (59) of Saab's sales. Since a large part of production takes place in Sweden with expenses denominated in SEK, Saab has large net flows in foreign currency.

The order backlog contains contracted flows and therefore constitutes a transaction exposure. The predominant contract currencies in the order backlog of SEK 60.1 billion (59.9) are SEK, USD, EUR and GBP. Of the total order backlog, 47 per cent (46) is in fixed prices with or without indexing, while the remaining 53 per cent (54) contains variable prices with index and/or currency clauses.

Netting is applied at the Group level to minimise the transaction exposure in foreign currencies, which means incoming currency is utilised to pay for purchases in the same currency. Currency clauses or transactions in the currency market with forward exchange contracts as hedging instruments are used as well. Hedges are normally arranged for each specific contract. The average forward rate is then used as the contract's rate for revenue recognition.

The currency sensitivity of the market value of outstanding external hedges for the order backlog and framework agreements; i.e., the effect of a change in exchange rates in the net result of cash flow hedges in equity (pre-tax) where the SEK depreciates (making foreign currency more expensive) or appreciates, is shown in the following table.

	Market value 31-12-2014	SEK depreciation of 10%	SEK appreciation of 10%
Market value in MSEK	-792	-1,332	-252
Change		-540	540

The currency sensitivity in the order backlog; i.e. the effect of a change in exchange rates where the SEK depreciates or appreciates, is shown in the following table. In the table the order backlog for foreign subsidiaries is translated into MSEK.

	Market value 31-12-2014	SEK depreciation of 10%	SEK appreciation of 10%
Order backlog, MSEK	60,128	60,639	59,617
Change		511	-511

Hedge accounting according to IAS 39 is applied to derivatives intended to hedge the transaction exposure. The inefficiency in the cash flow hedges that affected net income for the year amount to MSEK 0 (2).

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.

Note 41, cont.

The table below shows the cash flows for the derivatives recognised as cash flow hedges, expressed in millions in local currency.

**Cash flow hedges by currency**

Million	AUD			CZK			EUR			GBP			THB			USD			ZAR		
	Out-flow	Inflow	Net	Out-flow	Inflow	Net	Out-flow	Inflow	Net	Out-flow	Inflow	Net	Out-flow	Inflow	Net	Out-flow	Inflow	Net	Out-flow	Inflow	Net
< 90 days	-13	2	-11	-58	6	-52	-44	127	83	-5	16	11	-462	894	432	-106	159	53	-20	-	-20
91-180 days	-4	1	-3	-23	10	-13	-13	38	25	-5	6	1	-110	562	452	-49	90	41	-5	-	-5
181-210 days	-10	1	-9	-15	6	-9	-8	30	22	-3	4	1	-64	118	54	-31	60	29	-1	-	-1
211-360 days	-4	-	-4	-23	6	-17	-6	32	26	-5	3	-2	-88	290	202	-112	118	6	-1	-	-1
2016	-10	1	-9	-1	24	23	-27	88	61	-13	16	3	-20	182	162	-206	340	134	-16	-	-16
2017	-7	-	-7	-	6	6	-9	39	30	-12	11	-1	-	-	-	-178	224	46	-	-	-
2018	-3	-	-3	-	-	-	-6	14	8	-12	3	-9	-	-	-	-189	221	32	-	-	-
2019	-	-	-	-	-	-	-10	8	-2	-19	1	-18	-	-	-	-118	92	-26	-	-	-
2020 and forward	-	-	-	-	-	-	-55	14	-41	-47	-	-47	-	-	-	-98	150	52	-	-	-
<b>Total flows 2014</b>	<b>-51</b>	<b>5</b>	<b>-46</b>	<b>-120</b>	<b>58</b>	<b>-62</b>	<b>-178</b>	<b>390</b>	<b>212</b>	<b>-121</b>	<b>60</b>	<b>-61</b>	<b>-744</b>	<b>2,046</b>	<b>1,302</b>	<b>-1,087</b>	<b>1,454</b>	<b>367</b>	<b>-43</b>	<b>-</b>	<b>-43</b>
<b>Total flows 2013</b>	<b>-35</b>	<b>6</b>	<b>-29</b>	<b>-111</b>	<b>83</b>	<b>-28</b>	<b>-119</b>	<b>401</b>	<b>282</b>	<b>-38</b>	<b>101</b>	<b>63</b>	<b>-369</b>	<b>2,589</b>	<b>2,220</b>	<b>-249</b>	<b>1,068</b>	<b>819</b>	<b>-40</b>	<b>-</b>	<b>-40</b>

**Translation exposure**

The translation exposure in the Group relates to the operations of foreign subsidiaries. Saab Aircraft Leasing's operations in Sweden have their economic environments in USD (functional currency) and are translated from the functional currency to SEK. The translation exposure comprises net assets in foreign currency and arises in connection with acquisitions and divestments. The value of equity subject to translation exposure amounted to MSEK 4,072 (3,460) at year-end; see the table below.

**Net assets translated to SEK**

MSEK	31-12-2014	31-12-2013
USD	1,826	1,552
EUR	650	601
AUD	472	442
ZAR	361	289
Other currencies	763	576
<b>Total</b>	<b>4,072</b>	<b>3,460</b>

The effect on net assets of a change in exchange rates where the SEK depreciates or appreciates is shown in the table below.

**Sensitivity analysis of net assets**

MSEK	Net assets 31-12-2014	SEK appreciation of 10%	SEK depreciation of 10%
USD	1,826	1,643	2,009
EUR	650	585	715
AUD	472	425	519
ZAR	361	325	397
Other currencies	763	687	839
<b>Total</b>	<b>4,072</b>	<b>3,665</b>	<b>4,479</b>
Change		-407	407

The foreign currency risk to the Group's income and equity from translation effects (the translation exposure) is not hedged, pursuant to the Group Treasury Policy.

**Impairment tests**

Long-term contracts, primarily in USD, in commercial aircraft programmes consist of a hedged order backlog and estimated future orders (business case) with cash flows. Cash flows from the latter are normally hedged when they become confirmed orders. In connection with impairment tests of onerous contracts, income is affected by the revaluation of future cash flows at spot rates. Larger changes in exchange rates, primarily in USD against SEK, have a significant impact on income. This exposure is not hedged.

**Interest rate risks**

Interest rate risk refers to the risk that Saab will be negatively affected by changes in interest rate levels.

Interest rate risk has been identified in the following areas:

- Saab is exposed to interest rate risk when the market value of certain items in the statement of financial position is affected by changes in underlying interest rates. Large items of this type refer to pension obligations and leasing operations.
- Saab's net financial items are affected by changes in market rates. Interest rate effects on advance financing affect gross income.

Interest rate risks in the Group's financial investments are managed based on high liquidity and a duration of 12 months, with the option of deviating by +/- 12 months. As of year-end, the duration for investments was 10 months (7). Interest rate risks in the Group's funding must not exceed 60 months duration. As of year-end, the duration for financing was 49 months (55). Currency swaps that are used to hedge commercial currency flows contain an interest component. For currency flows far in the future, pricing of currency swaps may be ineffective. As a result, only part of the interest rate risk in future currency flows was hedged during the year (the hedges have been made for shorter periods than the expected flows). The underlying flows that are exposed to extensions through currency swaps amount to MUSD 248.

Interest rate futures and swaps are used for interest risk management to achieve the desired duration in the financing. For a sensitivity analysis, see also the section on liquidity and financing risks. Lending to subsidiaries in foreign currency is normally financed in SEK, which is converted to the subsidiary's currency through swaps. Interest rate swaps in USD are used mainly for interest risk management in the leasing portfolio, where the interest rate risk is fully matched.

The pension liability, the present value of future pension obligations, is the largest interest rate risk due to the liability's long duration; see also the Pension Fund section.

Note 41, cont.

**Liquidity and financing risks**

Liquidity and financing risk refers to the risk that the company will not be able to meet its payment obligations due to insufficient liquidity or difficulty raising external loans on acceptable terms. According to the Group Treasury Policy, Saab must always maintain unutilised credit facilities or liquid assets corresponding to MSEK 3,000, adjusted for loans with maturity date within 12 months ("Free Cash"). Free Cash shall however never amount to less than the lowest of:

- 10 per cent of sales (total sales)
- 50 per cent of outstanding on-demand guarantees for the three largest commitments

Liquidity and financing risks are minimised by diversifying financing sources and maturities.

Saab's policy is to insure on-demand guarantees for major projects against unauthorised use. This applies to contracts where the counterparty is classified as a developing country according to the definition of the Export Credits Guarantee Board (EKN). Insurance can be obtained from state guarantee institutions or the private insurance market.

**Saab has access to the following credit facilities:**

Loan facilities MSEK	Facility	Utilised	Available
Club loan (matures 2016) <sup>1)</sup>	4,000	-	4,000
<b>Total confirmed credit facilities</b>	<b>4,000</b>	<b>-</b>	<b>4,000</b>
Commercial paper	5,000	-	5,000
Medium Term Notes (MTN)	3,000	2,000	1,000
<b>Total loan programmes</b>	<b>8,000</b>	<b>2,000</b>	<b>6,000</b>
<b>Total loan facilities</b>	<b>12,000</b>	<b>2,000</b>	<b>10,000</b>

<sup>1)</sup> The club loan was renegotiated in January 2015 and now matures 2020.

The club loan is a credit facility with an equivalent value of MSEK 4,000 evenly divided between eight banks. In January 2015, this was renegotiated with an initial term of five years to 2020 with a possibility to extend the term with one plus one year. No financial covenants are attached to the club loan or the other credit facilities.

A commercial paper programme with a limit of MSEK 5,000 is available as well. Neither the commercial paper programme nor the club loan was utilised in 2014.

In 2009, Saab established a Medium Term Note (MTN) programme with a limit of MSEK 3,000 or an equivalent value in EUR. The MTN programme provides access to financing for up to 15 years, which is an element in diversifying loan maturities.

During 2014, MTN loans in the amount of MSEK 1,000 were issued.

In addition, Saab has an established programme for the sale of trade receivables with a framework of MSEK 1,475 of which utilised at 31 December 2014, MSEK 1,071 (555).

**Net liquidity**

Net liquidity excluding interest-bearing receivables and net pension obligations amounted to MSEK 185 (1,953) on 31 December 2014. Liquidity decreased during the year, and liquidity was invested as per the Group Treasury Policy. At year-end, investments in interest-bearing securities and bank deposits amounted to MSEK 1,270 (3,115).

**Net liquidity**

MSEK	Note	31-12-2014	31-12-2013
<b>Assets</b>			
Liquid assets	31	1,284	1,764
Short-term investments	25	1,270	2,002
<b>Total liquid investments</b>		<b>2,554</b>	<b>3,766</b>
Short-term interest-bearing receivables	27	5	33
Long-term interest-bearing receivables	27	83	75
Long-term receivables attributable to pensions	27	59	36
Long-term interest-bearing financial investments	25	142	141
<b>Total interest-bearing assets</b>		<b>2,843</b>	<b>4,051</b>

MSEK	Note	31-12-2014	31-12-2013
<b>Liabilities</b>			
Liabilities to credit institutions	35	2,001	1,001
Liabilities to associated companies and joint ventures	35	244	244
Other interest-bearing liabilities	35	124	568
Provisions for pensions <sup>1)</sup>	37	2,587	1,425
<b>Total interest-bearing liabilities</b>		<b>4,956</b>	<b>3,238</b>
<b>Net liquidity</b>		<b>-2,113</b>	<b>813</b>

<sup>1)</sup> Excluding provisions for pensions attributable to special employers' contribution.

As of 31 December 2014, net liquidity amounted to MSEK -2,113 (813) with an average during the year of MSEK -1,185 (1,126). The sensitivity analysis below shows the effect on income of an increase in market interest rates and in the credit margin of 1 percentage point for Saab's investments.

**Investments in interest-bearing securities and bank deposits  
Sensitivity analysis of financial risk**

MSEK Maturities	Fixed interest <sup>1)</sup>	Effect of market interest rate, 1%	Tied-up capital	Effect of credit spread, 1%	Effect on financial costs
1 year	1,035	10.4	818	8.2	18.6
2 years	-	-	-	-	-
3 years	-	-	-	-	-
4 years	-17	-0.2	200	2.0	1.8
5 years and forward	200	2.0	200	2.0	4.0
<b>Total</b>	<b>1,218</b>	<b>12.2</b>	<b>1,218</b>	<b>12.2</b>	<b>24.4</b>
Adjustment <sup>2)</sup>	52				
<b>Total</b>	<b>1,270</b>				

<sup>1)</sup> Effects of derivative agreements entered are included in the fixed interest.

<sup>2)</sup> Adjustment of nominal value compared to book value due to market valuation at a premium or discount.

Current interest-bearing liabilities amount to MSEK 264 (718). Long-term interest-bearing liabilities amount to MSEK 2,105 (1,095) and mainly consist of a MTN programme of MSEK 2,000. Of the long-term interest-bearing liabilities, MSEK 2,036 (1,036) matures within 1-5 years and MSEK 69 (59) in more than 5 years.

The maturity structure of liabilities to credit institutions is indicated in the tied-up capital column of the "Sensitivity analysis of financial risk" table. The volume of tied-up capital includes interest rate swaps. For the interest rate swaps that refers to adjustment of the fixed interest for the financing, hedge accounting is applied. No inefficiency has affected the net income for the year. The sensitivity analysis below shows the effect on income of an increase in market interest rates and in the credit margin of 1 percentage point for Saab's refinancing of credits.

**Financing (refers to utilised credit facilities)  
Sensitivity analysis of financial risk**

MSEK Maturities	Fixed interest <sup>1)</sup>	Effect of market interest rate, 1%	Tied-up capital	Effect of credit spread, 1%	Effect on financial costs
1 year	-	-	-	-	-
2 years	-	-	-	-	-
3 years	-	-	-	-	-
4 years	1,000	10.0	1,000	10.0	20.0
5 years and forward	1,000	10.0	1,000	10.0	20.0
<b>Total</b>	<b>2,000</b>	<b>20.0</b>	<b>2,000</b>	<b>20.0</b>	<b>40.0</b>

<sup>1)</sup> In the fixed interest effects of derivative agreements entered are included.

**Commodity risks**

Price risks are divided into two parts:

- Commodity price risk refers to the risk that purchasing costs for material will rise.
- Electricity price risk refers to the risk that Saab could be negatively affected by changes in electricity prices.

Note 41, cont.

According to the Group's policy, commodity risk is minimised and managed primarily through contract clauses with customers/suppliers. To minimise the risk to Saab's operating margin, future electricity consumption is hedged. This is done by hedging projected consumption according to a model where 100 per cent of the next quarter's consumption is hedged. The hedging level then drops on a straight-line basis to 0 per cent in quarter 13. Swedish units consume around 134 GWh per year (138) with a spot price risk of MSEK 1.3 (1.4) per every time the price of electricity changes by SEK 0.01. Electricity derivatives are managed through a discretionary management mandate, under which the manager has the mandate to accept risks in relation to benchmarks (hedging strategy) at the equivalent of MSEK 1 (1) expressed in VaR. The market value of electricity derivatives as of year-end was MSEK -5 (-12). Since 1 January 2010, electricity derivatives are used as cash flow hedges for the Stockholm price area (SE3). Inefficiency affecting net income for the year amounted to MSEK 0 (0).

### Credit and counterparty risks

Credit risk is the risk that the counterparty in a transaction will not be able to fulfil the financial obligations of a contract. In the course of its day-to-day operations, Saab is exposed to credit risks as a result of transactions with counterparties in the form of customers, suppliers and financial players. The Group's aggregate credit risks consist of commercial credit risks and financial credit risks.

#### Commercial credit risks

Commercial credit risks consist of outstanding accounts receivable and advances paid to suppliers. According to the Group's policy, commercial credit risks are identified and actively managed on a case-by-case basis. Credit risks that arise in customer contracts are managed by utilising available banking, insurance or export credit institutions. According to the policy, credit risks that arise through advances paid to suppliers are managed by always maintaining bank-guaranteed security for any advances.

#### Accounts receivable

On 31 December 2014, the Group's outstanding accounts receivable amounted to MSEK 3,414 (3,295). The programme for the sale of trade receivables reduced accounts receivable at year-end by 1,071 (555). Defence-related sales accounted for 79 per cent (80) of total sales, where the counterparties in most accounts receivable are nations with high creditworthiness. The Group's receivables are mainly in the EU, which accounted for 58 per cent (50) of the total. Where counterparties' creditworthiness is deemed unsatisfactory, bank or insurance guarantees or guarantees from EKN are secured.

In connection with cash transactions, Saab generally requires that a letter of credit is opened in its name to ensure that payment is received.

Write-downs of accounts receivable amounted, as of 31 December 2014, to MSEK 15 (19), corresponding to 0.4 per cent (0.6) of total accounts receivable. Write-downs of accounts receivable have changed as follows.

MSEK	2014	2013
Write-downs, 1 January	-19	-13
Write-downs from acquisitions	-6	-
Write-downs for calculated losses	-6	-15
Reversal of previous write-downs	13	3
Actual credit losses	3	5
Translation differences	-	1
<b>Write-downs, 31 December</b>	<b>-15</b>	<b>-19</b>

The following table shows an age analysis of the Group's overdue receivables:

MSEK	31-12-2014	31-12-2013
<30 days	460	329
30 to 90 days	215	443
91 to 180 days	81	109
>181 days	356	263
<b>Accounts receivable overdue</b>	<b>1,112</b>	<b>1,144</b>
Accounts receivable not overdue	2,302	2,151
<b>Total accounts receivable</b>	<b>3,414</b>	<b>3,295</b>

Since accounts receivable are largely secured via bank or insurance guarantees or are attributable to states, the commercial credit risk is low despite overdue receivables.

#### Advances paid to suppliers

Advances paid to suppliers constitute a credit risk, since the counterparty's services have not been fully rendered. As of 31 December 2014, the Group had paid its suppliers advances of MSEK 35 (145). As the Group's policy is to maintain bank-guaranteed security for any advances it pays, the commercial supplier credit risk is considered low.

#### Financial credit risks

Financial credit risk consists of exposures to banks through deposits, securities investments and/or the market value of outstanding derivatives.

The Group's policy for managing financial credit risks is to:

- Ensure that all financial counterparties have a long-term credit rating of no lower than A from Standard and Poor's or A3 from Moody's
- Assign each financial counterparty a credit limit based on its long-term credit rating
- Enter into ISDA master agreements with financial counterparties to net the positive and negative market values of outstanding derivatives, see tables below.

#### Market value of financial assets and liabilities subject to netting arrangements

	Gross amount	Set-off	Net amount in balance sheet	Master netting arrangements	Collateral received/assets pledged	Net amount
<b>2014</b>						
Currency derivatives	507	-	507	-415	-	92
Interest rate derivatives	-	-	-	-	-	-
Electricity derivatives	2	-	2	-	-	2
<b>Assets</b>	<b>509</b>	<b>-</b>	<b>509</b>	<b>-415</b>	<b>-</b>	<b>94</b>
Currency derivatives	1,310	-	1,310	-415	-	895
Interest rate derivatives	91	-	91	-	-	91
Electricity derivatives	7	-	7	-	-	7
<b>Liabilities</b>	<b>1,408</b>	<b>-</b>	<b>1,408</b>	<b>-415</b>	<b>-</b>	<b>993</b>

	Gross amount	Set-off	Net amount in balance sheet	Master netting arrangements	Collateral received/assets pledged	Net amount
<b>2013</b>						
Currency derivatives	384	-	384	-158	-	226
Interest rate derivatives	5	-	5	-5	-	-
Electricity derivatives	6	-	6	-	-	6
<b>Assets</b>	<b>395</b>	<b>-</b>	<b>395</b>	<b>-163</b>	<b>-</b>	<b>232</b>
Currency derivatives	291	-	291	-158	-	133
Interest rate derivatives	14	-	14	-5	-	9
Electricity derivatives	18	-	18	-	-	18
<b>Liabilities</b>	<b>323</b>	<b>-</b>	<b>323</b>	<b>-163</b>	<b>-</b>	<b>160</b>

Credit risk is calculated on established and anticipated risks pursuant to the recommendations of the Bank of International Settlements (BIS I). On 31 December 2014, counterparty risks amounted to MSEK 2,356 (3,617), of which deposits with banks, mortgage institutions, companies and the Swedish government totalled MSEK 2,842 (3,118).

Note 41, cont.

### Trading

The Board has given Saab Treasury a risk mandate for trading in interest rate and currency instruments. During 2014, MSEK 15 was allocated to trading expressed as VaR. If the cumulative result for the year is negative, the mandate is reduced correspondingly. In 2014, trading income was MSEK 17 (21), which is reported as other operating income. The average utilised risk mandate (VaR) during the year amounted to MSEK 2 (2).

### Hedge accounting

Hedge accounting to fair value is applied to foreign exchange contracts and currency swaps. The market value of currency derivatives accounted for as fair value hedges (hedging instruments) amounts to MSEK 3 (4), market value of currency risk in order backlog (hedged items) amounts to MSEK -3 (-4). For information on the impact on net income for the year of gains and losses on derivatives accounted for as fair value hedges, see note 6, Other operating expenses.

Certain forward exchange contracts and currency swaps (hedge instruments) entered into to hedge future receipts and disbursements against currency risks are accounted for according to the rules for cash flow hedging. These cash flow hedges relate primarily to contractual sales volumes. 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.

Derivatives that protect future receipts and disbursements are recognised in the statement of financial position at fair value. Changes in value are recognised in other comprehensive income and separately recognised in the hedge reserve in equity until the hedged cash flow meets the operating profit or loss, at which point the cumulative changes in value of the hedging instrument are transferred to profit or loss to meet and match the effects on earnings of the hedge transaction. The hedge reserve before tax amounted to MSEK -720 (440), of which the unrealised value of derivatives was MSEK -897 (91) and the realised effects arising from rollovers of derivatives was MSEK 177 (349).

The change in the hedge reserve in 2014 of MSEK -1,160 consists of a reversal to profit or loss of MSEK -23, the change in the value of existing derivatives of MSEK -804, the market value of hedges obtained during the year of MSEK -167, and the change that arose due to the rollovers of derivatives of MSEK -166. 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 (2).

### Valuation methods for financial assets and liabilities

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

The following instruments were valued at fair value according to listed (unadjusted) prices on an active market on the closing date (Level 1):

- Bonds
- Electricity derivatives
- Interest derivatives

The following instruments were valued at fair value according to accepted valuation models based on observable market data (Level 2):

- **Forward exchange contracts:** Future payment flows in each currency are discounted by current market rates to the valuation day and valued to SEK at year-end exchange rates
- **Options:** The Black-Scholes option pricing model is used in the market valuation of all options
- **Interest swaps:** Future variable interest rates are calculated with the help of current forward rates. These implicit interest payments are discounted on the valuation date using current market rates. The market value of interest rate swaps is obtained by contrasting the discounted variable interest payments with the discounted present value of fixed interest payments

Unlisted shares and participations: Valued according to accepted principles; e.g., for venture capital firms (Level 3).

As of 31 December 2014, the Group had the following financial assets and liabilities at fair value:

### Assets at fair value

MSEK	2014	Level 1	Level 2	Level 3
Bonds and interest-bearing securities	1,270	1,270	-	-
Forward exchange contracts	422	-	422	-
Currency options	45	-	45	-
Interest rate swaps	-	-	-	-
Electricity derivatives	2	2	-	-
Shares and participations	150	121	-	29
<b>Total</b>	<b>1,889</b>	<b>1,393</b>	<b>467</b>	<b>29</b>

### Liabilities at fair value

MSEK	2014	Level 1	Level 2	Level 3
Forward exchange contracts	1,258	-	1,258	-
Currency options	48	-	48	-
Interest rate swaps	87	-	87	-
Electricity derivatives	7	7	-	-
<b>Total</b>	<b>1,400</b>	<b>7</b>	<b>1,393</b>	<b>-</b>

### Pension fund

The Saab Pension Fund was established in 2006 to secure the main part of the Group's pension obligation and is not consolidated in the Group.

The fund has a long-term real yield requirement of 3 per cent per year. The investment policy requires an asset distribution of a maximum of 50.5 per cent equities/alternative investments (hedge funds) and 49.5-100 per cent interest-bearing instruments. Investments are made in interest-bearing securities from issuers with a credit rating of no lower than BBB according to Standard & Poor's and Baa according to Moody's. Of the fund's capital at year-end, 50 per cent (50) was invested in interest-bearing assets and the remaining 50 per cent (50) in equities and alternative investments. The market value of the fund's assets as of 31 December 2014 was MSEK 5,091 (4,595) and the annual return was 11 per cent (6). In 2014, the fund was capitalised by MSEK 194 (0) and MSEK 193 (0) in refunds were paid. The table below shows the solvency margin for the pension fund.

MSEK	31-12-2014	31-12-2013	31-12-2012	31-12-2011
Fair value of assets under management	5,091	4,595	4,346	4,050
Present value of defined-benefit obligations <sup>1)</sup>	7,416	5,785	6,485	5,866
Solvency margin	69%	79%	67%	69%
Pension obligation according to PRI	5,106	4,736	4,615	4,489
Solvency margin	100%	97%	94%	90%

<sup>1)</sup> Refers to the pension obligation that the assets under management are designed to cover.

**NOTE 42** ASSETS PLEDGED AND CONTINGENT LIABILITIES

MSEK	Group		Parent Company	
	31-12-2014	31-12-2013	31-12-2014	31-12-2013
<b>Assets pledged for own liabilities and provisions</b>				
Bonds and other securities	-	10	-	10
Other assets	1	29	-	-
<b>Total</b>	<b>1</b>	<b>39</b>	<b>-</b>	<b>10</b>
<b>Contingent liabilities</b>				
Guarantees to insurance company, PRI Pensionsgaranti	102	95	102	95
Guarantees for Group companies' commitments to customers	-	-	4,398	3,825
Sureties for joint ventures	7	6	-	-
Sureties for associated companies	6	6	51	72
<b>Total</b>	<b>115</b>	<b>107</b>	<b>4,551</b>	<b>3,992</b>

In the ordinary course of business, Saab is occasionally involved in disputes and legal proceedings arising as a result of the company's operations worldwide. These disputes and legal proceedings are not expected, either individually or collectively, to have any significant negative effect on Saab's financial result or position.

Saab currently has a legal dispute concerning interpretation of an agreement, where a negative outcome is not probable and consequently no provision has been recognised. Should however, against expectations, the dispute result in a negative outcome for Saab, it cannot be ruled out that the financial effect would not be non-material.

The table below shows the total sum of guarantees that do not represent contingent liabilities and a distribution by category and issuer.

MSEK	31-12-2014		31-12-2013	
	per cent of total			
Parent Company guarantees	1,425	16	1,562	22
Bank guarantees	7,302	84	5,437	78
<b>Total guarantees</b>	<b>8,727</b>	<b>100</b>	<b>6,999</b>	<b>100</b>
Bank guarantees:				
On demand	6,544	90	4,769	88
Proprietary	758	10	668	12
<b>Total bank guarantees</b>	<b>7,302</b>	<b>100</b>	<b>5,437</b>	<b>100</b>
Type of guarantee:				
Advances	4,872	56	3,298	47
Completion	3,538	40	3,079	44
Tenders, credits and other	317	4	622	9
<b>Total guarantees</b>	<b>8,727</b>	<b>100</b>	<b>6,999</b>	<b>100</b>

With regard to the Group's so-called fulfilment guarantees for commitments to customers, the likelihood of an outflow of resources is extremely small and, as a result, no value is recognised in the table of contingent liabilities.

**NOTE 43** TRANSACTIONS WITH RELATED PARTIES

The Group's financial agreements conform to market principles. In 2014 Saab signed an agreement about the sale of Saab Grintek Technologies Ltd. The transaction involves related parties. Saab has not had any significant transactions with Investor, Board members or members of Group Management. For information on remuneration, see note 37.

Of the Parent Company's sales, 5 per cent referred to sales to Group companies, while 15 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 121 (52) and MSEK 149 (132), respectively. For information on receivables from and liabilities to associated companies and joint ventures, see notes 27 and 39.

**NOTE 44** GROUP COMPANIES**Significant Group company holdings**

Group company	Group company's registered office, country	Ownership share, per cent	
		2014	2013
Combitech AB	Växjö, Sweden	100	100
Combitech Oy	Finland	100	100
HITT N.V.	The Netherlands	100	100
MEDAV GmbH	Germany	100	100
Saab Australia Pty Ltd	Australia	100	100
Saab Barracuda AB	Västervik, Sweden	100	100
Saab Barracuda LLC	USA	100	100
Saab Czech s.r.o.	Czech Republic	100	100
Saab Defense and Security USA LLC	USA	100	100
Saab Dynamics AB	Karlskoga, Sweden	100	100
Saab Danmark A/S	Denmark	100	100
Saab Grintek Defence (Pty) Ltd	South Africa	71	71
Saab Kockums AB	Malmö, Sweden	100	-
Saab Seaeye Ltd	UK	100	100
Saab Sensis Corporation	USA	100	100

Total ownership of non-controlling interests amounts to MSEK 82 (91), mainly attributable to Saab Grintek Defence (Pty) Ltd. No non-controlling interests are considered material.

MSEK	Parent Company	
	2014	2013
<b>Accumulated acquisition value</b>		
Opening balance, 1 January	17,266	17,208
New issues/shareholders' contributions	31	26
Acquisitions	320	32
Sales and liquidations	-57	-
Reclassifications	-	-
<b>Closing balance, 31 December</b>	<b>17,560</b>	<b>17,266</b>
<b>Accumulated write-downs</b>		
Opening balance, 1 January	-10,795	-10,726
Write-downs for the year	-1	-69
<b>Closing balance, 31 December</b>	<b>-10,796</b>	<b>-10,795</b>
<b>Carrying amount, 31 December</b>	<b>6,764</b>	<b>6,471</b>

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 44, cont.

**Specification of Parent Company's holdings of shares in Group companies**

<b>31-12-2014</b>			
<b>Group company/Corp. ID no./Registered office</b>	<b>No. of shares</b>	<b>Share, per cent</b>	<b>Carrying amount, MSEK</b>
Celsius AB, 556194-4652, Linköping, Sweden	5,000	100.0%	144
Celsius Invest AB, 556164-6588, Stockholm, Sweden	1,720,000	100.0%	518
Cloud Automation Services Sweden AB, 556985-1560, Järfälla, Sweden	1,000	100.0%	-
Combitech AB, 556218-6790, Växjö, Sweden	100,000	100.0%	1,064
EMC Services Elmiljöteknik AB, 556315-6636, Mölndal, Sweden	2,000	100.0%	3
Fastighets AB Karlskrona-Varvet, 556976-6941, Karlskrona, Sweden	500	100.0%	-
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
FFV Ordnance AB, 556414-8194, Karlskoga, Sweden	100,000	100.0%	10
HITT N.V., The Netherlands	-	100.0%	290
Kockums Holdings AB, 556036-4100, Linköping, Sweden	48,000	100.0%	5
Lansen Försäkrings AB, 516401-8656, Linköping, Sweden	500,000	100.0%	51
MEDAV GmbH, Germany	-	100.0%	217
Saab d.o.o., Slovenia	-	100.0%	-
Saab Aircraft Leasing Holdings AB, 556124-3170, Linköping, Sweden	30,000	100.0%	1,500
Saab Airport AB, 556366-8333, Linköping, Sweden	5,000	100.0%	3
Saab Asia Pacific Co. Ltd, Thailand	-	100.0%	12
Saab Barracuda AB, 556045-7391, Västervik, Sweden	200,000	100.0%	93
Saab Czech s.r.o., Czech Republic	-	100.0%	25
Saab Denmark A/S, Denmark	-	100.0%	103
Saab Dynamics AB, 556264-6074, Karlskoga, Sweden	500,000	100.0%	357
Saab France SAS, 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 Microwave Systems AB, 556028-1627, Mölndal, Sweden	300,000	100.0%	49
Saab Naval Systems AB, 556757-5104, Malmö, Sweden	1,000	100.0%	-
Saab North America, Inc., USA	-	100.0%	1,141
Saab Precision Components AB, 556627-5003, Jönköping, Sweden	2,000	100.0%	8
Saab Seaeye Holdings Ltd, UK	-	100.0%	194
Saab South Africa (Pty) Ltd, South Africa	-	95.0%	443
Saab Surveillance Systems AB, 556577-4600, Järfälla, Sweden	1,000	100.0%	-
Saab Technologies Canada Inc., Canada	-	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%	-
Saab Vricon Systems AB, 556757-5450, Linköping, Sweden	1,000	100.0%	-
Teknikinformation i Krokom AB, 556317-4043, Krokom, Sweden	1,600	100.0%	15
Vricon Inc., USA	-	100.0%	-
Dormant companies etc.	-	-	107
<b>Carrying amount at year-end</b>			<b>6,764</b>

**NOTE 45** UNTAXED RESERVES

MSEK	Parent Company	
	2014	2013
<b>Tax allocation reserve:</b>		
Opening balance, 1 January	1,186	864
Provision for the year	432	322
<b>Closing balance, 31 December</b>	<b>1,618</b>	<b>1,186</b>
<b>Accumulated accelerated depreciation</b>		
Buildings and land:		
Opening balance, 1 January	18	32
Under depreciation for the year	-12	-14
<b>Closing balance, 31 December</b>	<b>6</b>	<b>18</b>
Machinery and equipment:		
Opening balance, 1 January	356	380
Under depreciation for the year	-1	-24
<b>Closing balance, 31 December</b>	<b>355</b>	<b>356</b>
<b>Total untaxed reserves, 31 December</b>	<b>1,979</b>	<b>1,560</b>

**NOTE 46** 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	
	2014	2013
<b>Cash flow from operating activities before changes in working capital <sup>1)</sup></b>	<b>2,221</b>	<b>2,342</b>
<b>Working capital</b>		
Inventories	-856	-147
Current receivables	-282	-1,346
Advance payments from customers	21	278
Other current liabilities	-914	-1,005
Provisions	-536	-277
<b>Change in working capital</b>	<b>-2,567</b>	<b>-2,497</b>
<b>Cash flow from operating activities <sup>2)</sup></b>	<b>-346</b>	<b>-155</b>
<b>Investing activities</b>		
Investments in intangible fixed assets	-239	-68
Investments in tangible fixed assets	-732	-543
Sale of tangible fixed assets	15	46
Sale of lease assets	105	81
<b>Cash flow from investing activities <sup>3)</sup></b>	<b>-851</b>	<b>-484</b>
<b>Operational cash flow</b>	<b>-1,197</b>	<b>-639</b>
Taxes and other financial items	-367	-506
Sale of and investments in shares etc.	19	-247
Acquisitions of subsidiaries and associated companies	152	-68
Sale of subsidiaries and associated companies	299	-
<b>Free cash flow</b>	<b>-1,094</b>	<b>-1,460</b>

<sup>1)</sup> Cash flow from operating activities before changes in working capital excluding taxes and other financial items.

<sup>2)</sup> Cash flow from operating activities excluding taxes and other financial items.

<sup>3)</sup> 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	2014	2013
Operating cash flow	-1,094	-1,460
Investing activities – interest-bearing:		
Short-term investments	720	1,936
Other financial investments and receivables	21	8
Dividend from joint ventures	-	430
Financing activities:		
Repayment of loans	-468	-1,100
Raising of loans	1,000	845
Repurchase of shares	-252	-
Dividend paid to the Parent Company's shareholders	-479	-477
Dividend paid to non-controlling interest	-5	-1
<b>Cash flow for the year</b>	<b>-557</b>	<b>181</b>

**SUPPLEMENTAL INFORMATION ON STATEMENT OF CASH FLOWS**

MSEK	Group	
	31-12-2014	31-12-2013
<b>Liquid assets</b>		
The following components are included in liquid assets:		
Cash and bank balances	1,284	651
Bank deposits	-	1,113
<b>Total according to the statement of financial position</b>	<b>1,284</b>	<b>1,764</b>
<b>Total according to statement of cash flows</b>	<b>1,284</b>	<b>1,764</b>

MSEK	Parent Company	
	31-12-2014	31-12-2013
<b>Liquid assets</b>		
The following components are included in liquid assets:		
Cash and bank balances	377	155
Bank deposits	-	1,113
<b>Total according to balance sheet</b>	<b>377</b>	<b>1,268</b>
<b>Total according to statement of cash flows</b>	<b>377</b>	<b>1,268</b>

**Interest paid and dividends received**

MSEK	Group		Parent Company	
	2014	2013	2014	2013
Dividends received	2	10	102	652
Interest received	72	98	186	181
Interest paid	-51	-183	-190	-200
<b>Total</b>	<b>23</b>	<b>-75</b>	<b>98</b>	<b>633</b>

**Adjustments for items not affecting cash flow**

MSEK	Group		Parent Company	
	2014	2013	2014	2013
Depreciation and amortisation	872	1,034	582	572
Write-downs	-	13	-	-
Changes in the value of biological assets	7	10	-	-
Changes in the value of investment properties	-2	2	-	-
Share of profits in associated companies	-18	-25	-	-
Dividends from associated companies	2	10	-	-
Dividends and Group contributions from/to Group companies	-	-	-104	-653
Capital gains/losses from sales of Group companies, associated companies and other shares	-161	-	-256	-
Capital gains/losses on sales of tangible fixed assets	1	-12	2	-36
Write-down of shares and receivables	19	133	1	632
Provisions	-15	124	-15	190
Provisions for pensions	45	29	-79	-115
Other	-25	-94	51	24
<b>Total</b>	<b>725</b>	<b>1,224</b>	<b>182</b>	<b>614</b>

**Investments in operations and subsidiaries**

MSEK	Group	
	2014	2013
<b>Acquired assets and liabilities</b>		
Intangible fixed assets	259	40
Tangible fixed assets	157	4
Financial fixed assets	12	-
Deferred tax assets	281	-
Inventories	35	9
Current receivables	372	17
Liquid assets	540	-
<b>Total assets</b>	<b>1,656</b>	<b>70</b>
Provisions for pensions	186	-
Other provisions	601	-
Deferred tax liability	-	4
Interest-bearing liabilities	-	3
Current liabilities	529	13
<b>Total liabilities</b>	<b>1,316</b>	<b>20</b>
Purchase price paid	356	51
Less: Liquid assets in acquired operations	-540	-4
<b>Effect on the Group's liquid assets (positive (-) / negative (+))</b>	<b>-184</b>	<b>47</b>
Effect on the Group's net liquidity (positive (-) / negative (+))	-184	44

Acquisitions in 2014 relate to ThyssenKrupp Marine Systems AB. Purchase price paid includes payment to minority stakeholders in Bayes Risk Management AS. Acquisitions in 2013 mainly relate to Teknikinformation i Krokomb AB (TIKAB) and the British company Hydro-Lek Limited.

**Acquisition of associated companies**

MSEK	Group	
	2014	2013
<b>Acquired assets and liabilities</b>		
Financial fixed assets	32	21
<b>Total assets</b>	<b>32</b>	<b>21</b>
Purchase price paid	32	21
<b>Effect on Group's liquid assets (positive (-) / negative (+))</b>	<b>32</b>	<b>21</b>

Acquisitions in 2014 relate to KedTech AB and acquisitions in the venture portfolio. Acquisitions in 2013 relate to acquisitions in the venture portfolio

**Sale of subsidiaries and associated companies**

MSEK	Group	
	2014	2013
<b>Divested assets and liabilities</b>		
Tangible fixed assets	75	-
Financial fixed assets	123	-
Deferred tax assets	3	-
Inventories	35	-
Current receivables	41	-
Liquid assets	19	-
<b>Total assets</b>	<b>296</b>	<b>-</b>
Provisions	1	-
Deferred tax liability	4	-
Current liabilities	58	-
<b>Total liabilities</b>	<b>63</b>	<b>-</b>
Sales price	318	-
<b>Purchase price received</b>	<b>318</b>	<b>-</b>
Less: Liquid assets in divested operations	-19	-
<b>Effect on the Group's net liquidity</b>	<b>299</b>	<b>-</b>
Of which liquid assets	299	-

Divestments in 2014 relate to the shares in Hawker Pacific Airservices Ltd, a property company and the deconsolidation of Saab Grintek Technologies (Pty) Ltd.

**NOTE 47** INFORMATION ON PARENT COMPANY

Saab AB (publ) is a limited company registered in Sweden, with its registered office in Linköping. The Parent Company's shares are registered on the Nasdaq Stockholm. The address of the head office is Saab AB, Box 12062, SE-102 22 Stockholm, Sweden.

The consolidated accounts for 2014 comprise the Parent Company and its Group companies, together referred to as the Group. The Group also includes the holdings in associated companies and joint ventures.

Saab AB also operates a small business in a South Korean branch.

**NOTE 48** ENVIRONMENTAL REPORT**Operations subject to licensing in the Parent Company**

Production of aircraft and aircraft components by the Parent Company, Saab AB, in the Tannefors industrial zone in the municipality of Linköping is subject to licensing pursuant to the Swedish Environment Code due to aeronautics operations, surface treatment processes, manufacturing of composite materials, handling of chemical substances, 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 to 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 2014.

**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 Kockums AB runs operations subject to licensing in Karlskrona and on Muskö island, south of Stockholm.

The environmental impact from subsidiaries subject to licensing primarily consists of emissions of VOCs and emissions from aircraft into the atmosphere, emissions of metals and de-icing solvents into waterways, generation of industrial wastes and noise disturbing local surroundings.

In 2014, none of Saab's subsidiaries exceeded any conditions of their permits or injunctions.

**Operations subject to notification requirements**

Saab AB has operations in Arboga, Huskvarna, Ljungbyhed, Malmslätt, Nyköping and Östersund which are subject to notification requirements pursuant to the Environment Code. Permits in Arboga and Malmslätt still apply. These were granted by the county boards in 1993 and 1994, respectively. The Group also has operations subject to notification requirements in the subsidiaries Saab Dynamics AB in Motala and Saab Precision Components AB in Jönköping. Permit in Motala still applies. The environmental impact of these operations is extremely limited.

**NOTE 49** RESTATED ACCOUNTING 2013  
REGARDING NEW STRUCTURE

Saab has implemented a new structure where the operations within Security and Defence Solutions which were related to Airborne Surveillance have been moved to corresponding operations within either Electronic Defence Systems or Support and Services. The reorganisation was carried through as of 1 January 2014. Additionally, a development project in Dynamics was moved to Corporate and a part of Security Defence Solutions' operations in Finland was moved to Combitech as of 1 January 2014.

**Order bookings 2013**

MSEK	Jan-Dec actual	Adjustment structural change	Jan-Dec restated
Aeronautics	29,677	-	29,677
Dynamics	3,350	-5	3,345
EDS	7,620	-33	7,587
SDS	5,429	-693	4,736
S&S	3,942	660	4,602
Combitech	1,634	106	1,740
Internal	-1,843	-35	-1,878
<b>Total</b>	<b>49,809</b>	<b>-</b>	<b>49,809</b>

**Sales 2013**

MSEK	Jan-Dec actual	Adjustment structural change	Jan-Dec restated
Aeronautics	6,869	-	6,869
Dynamics	3,572	-6	3,566
EDS	4,161	399	4,560
SDS	5,891	-796	5,095
S&S	3,419	353	3,772
Combitech	1,598	86	1,684
Corporate/internal	-1,760	-36	-1,796
<b>Total</b>	<b>23,750</b>	<b>-</b>	<b>23,750</b>

**Operating income/loss (EBIT) 2013**

MSEK	Jan-Dec actual	Adjustment structural change	Jan-Dec restated
Aeronautics	456	-	456
Dynamics	324	42	366
EDS	-201	86	-115
SDS	428	-215	213
S&S	364	134	498
Combitech	140	8	148
Corporate	-166	-55	-221
<b>Total</b>	<b>1,345</b>	<b>-</b>	<b>1,345</b>

**Order backlog 2013**

MSEK	Jan-Dec actual	Adjustment structural change	Jan-Dec restated
Aeronautics	34,113	-	34,113
Dynamics	4,549	-1	4,548
EDS	8,764	407	9,171
SDS	6,529	-958	5,571
S&S	6,186	497	6,683
Combitech	483	57	540
Internal	-754	-2	-756
<b>Total</b>	<b>59,870</b>	<b>-</b>	<b>59,870</b>

**EBITDA 2013**

MSEK	Jan-Dec actual	Adjustment structural change	Jan-Dec restated
Aeronautics	603	-	603
Dynamics	386	42	428
EDS	287	86	373
SDS	556	-228	328
S&S	383	134	517
Combitech	148	9	157
Corporate	4	-43	-39
<b>Total</b>	<b>2,367</b>	<b>-</b>	<b>2,367</b>

## NOTE 50 RESTATED ACCOUNTING 2014 REGARDING NEW STRUCTURE

Saab has implemented changes to the business area structure as of 1 January 2015. In order to create a stronger and more coherent platform for business-to-business focused business units the new business area Industrial Products and Services was formed. Industrial Products and Services will include the business units Aerostructures (previously in business area Aeronautics), Avionics Systems (previously in business area Electronic Defence Systems), the independent technology consulting firm Combitech, Saab ventures' product portfolio (previously in Saab Corporate) and a development project, which up until year-end 2014 was a part of Saab Corporate.

### Order backlog 2014

MSEK	31 Mar actual	Adjustment structural change	31 Mar restated
Aeronautics	33,167	-8,609	24,558
Dynamics	4,278	-	4,278
EDS	9,129	-1,311	7,818
SDS	5,666	-	5,666
S&S	6,590	-	6,590
Combitech	512	-512	-
IPS	-	10,432	10,432
Internal	-734	-	-734
<b>Total</b>	<b>58,608</b>	<b>-</b>	<b>58,608</b>

MSEK	30 Jun actual	Adjustment structural change	30 Jun restated
Aeronautics	31,896	-8,322	23,574
Dynamics	3,978	-	3,978
EDS	8,582	-1,377	7,205
SDS	6,307	-	6,307
S&S	6,725	-	6,725
Combitech	497	-497	-
IPS	-	10,195	10,195
Internal	-805	1	-804
<b>Total</b>	<b>57,180</b>	<b>-</b>	<b>57,180</b>

MSEK	30 Sep actual	Adjustment structural change	30 Sep restated
Aeronautics	30,624	-8,115	22,509
Dynamics	3,769	-	3,769
EDS	7,907	-1,316	6,591
SDS	6,494	-	6,494
S&S	6,338	-	6,338
Combitech	446	-446	-
IPS	-	9,876	9,876
Internal	-668	1	-667
<b>Total</b>	<b>54,910</b>	<b>-</b>	<b>54,910</b>

MSEK	31 Dec actual	Adjustment structural change	31 Dec restated
Aeronautics	34,283	-7,895	26,388
Dynamics	3,915	-	3,915
EDS	7,619	-1,254	6,365
SDS	6,823	-	6,823
S&S	7,976	-	7,976
Combitech	387	-387	-
IPS	-	9,537	9,537
Internal	-875	-1	-876
<b>Total</b>	<b>60,128</b>	<b>-</b>	<b>60,128</b>

### Order bookings 2014

MSEK	Q1 actual	Adjustment structural change	Q1 restated
Aeronautics	631	-374	257
Dynamics	449	-	449
EDS	938	-70	868
SDS	1,321	-	1,321
S&S	737	-	737
Combitech	392	-392	-
IPS	-	833	833
Internal	-390	3	-387
<b>Total</b>	<b>4,078</b>	<b>-</b>	<b>4,078</b>

MSEK	Q2 actual	Adjustment structural change	Q2 restated
Aeronautics	360	-50	310
Dynamics	400	-	400
EDS	649	-202	447
SDS	1,752	-	1,752
S&S	1,009	-	1,009
Combitech	403	-403	-
IPS	-	645	645
Internal	-525	10	-515
<b>Total</b>	<b>4,048</b>	<b>-</b>	<b>4,048</b>

MSEK	Q3 actual	Adjustment structural change	Q3 restated
Aeronautics	50	-116	-66
Dynamics	408	-	408
EDS	369	-47	322
SDS	827	-	827
S&S	339	-	339
Combitech	296	-296	-
IPS	-	453	453
Internal	-216	6	-210
<b>Total</b>	<b>2,073</b>	<b>-</b>	<b>2,073</b>

MSEK	Q4 actual	Adjustment structural change	Q4 restated
Aeronautics	5,849	-137	5,712
Dynamics	1,068	-	1,068
EDS	987	-140	847
SDS	2,210	-	2,210
S&S	2,635	-	2,635
Combitech	403	-403	-
IPS	-	673	673
Internal	-749	7	-742
<b>Total</b>	<b>12,403</b>	<b>-</b>	<b>12,403</b>

MSEK	2014 actual	Adjustment structural change	2014 restated
Aeronautics	6,890	-677	6,213
Dynamics	2,325	-	2,325
EDS	2,943	-459	2,484
SDS	6,110	-	6,110
S&S	4,720	-	4,720
Combitech	1,494	-1,494	-
IPS	-	2,604	2,604
Internal	-1,880	26	-1,854
<b>Total</b>	<b>22,602</b>	<b>-</b>	<b>22,602</b>

## Sales 2014

MSEK	Q1 actual	Adjustment structural change	Q1 restated
Aeronautics	1,577	-249	1,328
Dynamics	716	-	716
EDS	974	-122	852
SDS	1,156	-	1,156
S&S	839	-	839
Combitech	421	-421	-
IPS	-	787	787
Corporate/Internal	-403	5	-398
<b>Total</b>	<b>5,280</b>	<b>-</b>	<b>5,280</b>

MSEK	Q2 actual	Adjustment structural change	Q2 restated
Aeronautics	1,631	-336	1,295
Dynamics	730	-	730
EDS	1,232	-139	1,093
SDS	1,240	-	1,240
S&S	898	-	898
Combitech	419	-419	-
IPS	-	888	888
Corporate/Internal	-458	6	-452
<b>Total</b>	<b>5,692</b>	<b>-</b>	<b>5,692</b>

MSEK	Q3 actual	Adjustment structural change	Q3 restated
Aeronautics	1,323	-325	998
Dynamics	599	-	599
EDS	1,062	-109	953
SDS	1,367	-	1,367
S&S	794	-	794
Combitech	347	-347	-
IPS	-	773	773
Corporate/Internal	-362	8	-354
<b>Total</b>	<b>5,130</b>	<b>-</b>	<b>5,130</b>

MSEK	Q4 actual	Adjustment structural change	Q4 restated
Aeronautics	2,189	-356	1,833
Dynamics	929	-	929
EDS	1,361	-207	1,154
SDS	1,999	-	1,999
S&S	1,039	-	1,039
Combitech	462	-462	-
IPS	-	1,017	1,017
Corporate/Internal	-554	8	-546
<b>Total</b>	<b>7,425</b>	<b>-</b>	<b>7,425</b>

MSEK	2014 actual	Adjustment structural change	2014 restated
Aeronautics	6,720	-1,266	5,454
Dynamics	2,974	-	2,974
EDS	4,629	-577	4,052
SDS	5,762	-	5,762
S&S	3,570	-	3,570
Combitech	1,649	-1,649	-
IPS	-	3,465	3,465
Corporate/Internal	-1,777	27	-1,750
<b>Total</b>	<b>23,527</b>	<b>-</b>	<b>23,527</b>

## EBITDA 2014

MSEK	Q1 actual	Adjustment structural change	Q1 restated
Aeronautics	133	-16	117
Dynamics	43	-	43
EDS	68	10	78
SDS	11	-	11
S&S	91	-	91
Combitech	27	-27	-
IPS	-	20	20
Corporate	103	13	116
<b>Total</b>	<b>476</b>	<b>-</b>	<b>476</b>

MSEK	Q2 actual	Adjustment structural change	Q2 restated
Aeronautics	133	-14	119
Dynamics	52	-	52
EDS	156	-2	154
SDS	98	-	98
S&S	127	-	127
Combitech	26	-26	-
IPS	-	27	27
Corporate	-9	15	6
<b>Total</b>	<b>583</b>	<b>-</b>	<b>583</b>

MSEK	Q3 actual	Adjustment structural change	Q3 restated
Aeronautics	60	-27	33
Dynamics	-11	-	-11
EDS	196	5	201
SDS	101	-	101
S&S	48	-	48
Combitech	11	-11	-
IPS	-	9	9
Corporate	72	24	96
<b>Total</b>	<b>477</b>	<b>-</b>	<b>477</b>

MSEK	Q4 actual	Adjustment structural change	Q4 restated
Aeronautics	213	-43	170
Dynamics	142	-	142
EDS	202	-10	192
SDS	258	-	258
S&S	128	-	128
Combitech	36	-36	-
IPS	-	87	87
Corporate	8	2	10
<b>Total</b>	<b>987</b>	<b>-</b>	<b>987</b>

MSEK	2014 actual	Adjustment structural change	2014 restated
Aeronautics	539	-100	439
Dynamics	226	-	226
EDS	622	3	625
SDS	468	-	468
S&S	394	-	394
Combitech	100	-100	-
IPS	-	143	143
Corporate	174	54	228
<b>Total</b>	<b>2,523</b>	<b>-</b>	<b>2,523</b>

**Operating income/loss (EBIT) 2014**

MSEK	Q1 actual	Adjustment structural change	Q1 restated
Aeronautics	118	-11	107
Dynamics	28	-	28
EDS	-36	11	-25
SDS	-12	-	-12
S&S	87	-	87
Combitech	25	-25	-
IPS	-	12	12
Corporate	60	13	73
<b>Total</b>	<b>270</b>	<b>-</b>	<b>270</b>

MSEK	Q2 actual	Adjustment structural change	Q2 restated
Aeronautics	118	-10	108
Dynamics	36	-	36
EDS	51	-1	50
SDS	75	-	75
S&S	122	-	122
Combitech	24	-24	-
IPS	-	20	20
Corporate	-53	15	-38
<b>Total</b>	<b>373</b>	<b>-</b>	<b>373</b>

MSEK	Q3 actual	Adjustment structural change	Q3 restated
Aeronautics	46	-23	23
Dynamics	-26	-	-26
EDS	95	5	100
SDS	71	-	71
S&S	43	-	43
Combitech	9	-9	-
IPS	-	1	1
Corporate	20	26	46
<b>Total</b>	<b>258</b>	<b>-</b>	<b>258</b>

MSEK	Q4 actual	Adjustment structural change	Q4 restated
Aeronautics	198	-38	160
Dynamics	127	-	127
EDS	95	-9	86
SDS	222	-	222
S&S	124	-	124
Combitech	34	-34	-
IPS	-	79	79
Corporate	-42	2	-40
<b>Total</b>	<b>758</b>	<b>-</b>	<b>758</b>

MSEK	2014 actual	Adjustment structural change	2014 restated
Aeronautics	480	-82	398
Dynamics	165	-	165
EDS	205	6	211
SDS	356	-	356
S&S	376	-	376
Combitech	92	-92	-
IPS	-	112	112
Corporate	-15	56	41
<b>Total</b>	<b>1,659</b>	<b>-</b>	<b>1,659</b>

**NOTE 51** EXCHANGE RATES USED IN FINANCIAL STATEMENTS

Land			Year-end rate		Average rate	
			2014	2013	2014	2013
Australia	AUD	1	6.37	5.76	6.19	6.30
Denmark	DKK	100	127.81	119.86	122.03	115.99
Euro	EUR	1	9.52	8.94	9.10	8.65
India	INR	100	12.30	10.49	11.25	11.17
Canada	CAD	1	6.72	6.07	6.21	6.33
Norway	NOK	100	105.16	105.80	108.94	110.95
Switzerland	CHF	1	7.91	7.29	7.49	7.03
UK	GBP	1	12.14	10.73	11.29	10.19
South Africa	ZAR	100	67.22	62.13	63.19	67.73
Czech Republic	CZK	100	34.35	32.60	33.04	33.33
USA	USD	1	7.81	6.51	6.86	6.51

**NOTE 52** DEFINITIONS OF KEY RATIOS

**Capital employed** Total assets less non-interest-bearing liabilities.

**Capital turnover** Sales divided by average capital employed.

**Cash flow from operating activities per share** Cash flow from operating activities divided by the average number of shares after dilution.

**Earnings per share** Net income for the year attributable to Parent Company shareholders' interest, divided by the average number of shares before and after full dilution. There is no dilution impact if the result is negative.

**EBITDA margin** Operating income before depreciation, amortisation and write-downs less depreciation 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.

**Gross margin** Gross income as a percentage of sales.

**Interest coverage ratio** Operating income plus financial income divided by financial expenses.

**Net liquidity/net debt** Liquid assets, short-term investments and interest-bearing receivables less interest-bearing liabilities and provisions for pensions, excluding special employer's contribution.

**Operating cash flow per share** Operating cash flow divided by the average number of shares after dilution.

**Operating margin** Operating income as a percentage of sales.

**Profit margin** Operating income plus financial income as a percentage of sales.

**Return on capital employed** Operating income plus financial income as a percentage of average capital employed.

**Return on equity** Net income for the year as a percentage of average equity.

## 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 4.75 per share, corresponding to a total dividend of MSEK 501. Unrestricted equity amounts to MSEK 5,486 in Saab AB and profit carried forward in the Group before the dividend is paid amounts to MSEK 9,365.

Net income for the year attributable to the Parent Company's shareholders amounted to MSEK 1,153 for the Group and MSEK 1,170 for the Parent Company.

After paying the dividend to the shareholders, the Group's equity/assets ratio amounts to 37.4 per cent, compared to the objective of 30 per cent. Since the IPO in 1998, the equity/assets ratio has risen from 22 per cent to 38.5 per cent in 2014.

Saab's gross capital expenditure in 2014 amounted to MSEK 732, which is considered a good estima-

tion of annual future investments in tangible fixed assets. Investments are also made in research and development, which in 2014 amounted to MSEK 1,338, of which MSEK 171 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 2,113. Saab's ability to carry out its commitments is not expected to be affected by the proposed dividend either on a short or a long-term basis.

The proposed dividend is considered justifiable with regard to what is stated in chapter 17, § 3, paragraphs two and three of the Companies Act (2005:551):

1. The demands that the company's nature, scope and risks place on the size of its equity, and
2. The company's consolidation needs, liquidity or financial position in other respects.

The Board of Directors Saab AB

**PROPOSED DISPOSITION OF EARNINGS 2014**

The Board of Directors and the President propose that the unappropriated earnings in the Parent Company at disposal of the Annual General Meeting, amounting to:

SEK	
Retained earnings	4,316,051,025
Net income for the year	1,170,368,245
<b>Total</b>	<b>5 486 419 270</b>

To be disposed as follows:

To the shareholders, a dividend of SEK 4.75 per share	501,124,905
Funds to be carried forward	4,985,294,365
<b>Total</b>	<b>5 486 419 270</b>

After the proposed disposition, equity in the Parent Company will be as follows:

SEK	
Capital stock	1,746,405,504
Statutory reserve	542,471,135
Revaluation reserve	694,160,012
Retained earnings	4,985,294,365
<b>Total</b>	<b>7,968,331,016</b>

The company's policy is to issue a dividend of 20–40 per cent of net income over a business cycle. The Board of Directors and the President propose that MSEK 501 (479), or SEK 4.75 per share (4.50) be issued as a dividend. This has been calculated based on the amount of outstanding shares on 31 December 2014, of 105,499,980. Saab's equity/assets ratio is currently 38.5 per cent (44.0) and after the proposed disposition of earnings will be 37.4 per cent (43.0)

The undersigned certify that the consolidated accounts and the annual report have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted for use in the European Union, and generally accepted accounting principles, and give a true and fair view of the financial positions and results of the Group and the Parent Company, and that the management report gives a fair review of the development of the operations, financial positions and results of the Group and the Parent Company and describes substantial risks and uncertainties that the Group companies faces.

Linköping 16 February 2015

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 20 February 2015  
PricewaterhouseCoopers AB

Håkan Malmström  
*Authorised Public Accountant*  
*Auditor in charge*

Anna-Clara af Ekenstam  
*Authorised Public Accountant*

# AUDITOR'S REPORT

To the annual meeting of the shareholders of Saab AB (publ), 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 (publ) for the year 2014, except for the corporate governance statement on pages 54–62. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 40–131.

### *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 opinion.

### *Opinions*

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2014 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 2014 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 opinion do not cover the corporate governance statement on pages 54–62. 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 income statement and statement of the financial position for 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 (publ) for the year 2014. 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 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 20 February 2015

PricewaterhouseCoopers AB

Håkan Malmström  
*Authorised Public Accountant*  
*Auditor in charge*

Anna-Clara af Ekenstam  
*Authorised Public Accountant*

# INFORMATION TO SHAREHOLDERS

## ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 3:00 pm (CET) on Wednesday, 15 April 2015 at Annexet, Stockholm Globe Arenas, Entrance 2, Globentorget 10, Stockholm, Sweden.

## NOTIFICATION

Shareholders must notify the company of their intention to participate in the meeting not later than Thursday, 9 April 2015.

- 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](http://www.saabgroup.com/arsstamma)

Please indicate your name, personal ID number (Swedish citizens), address and telephone number. If you are attending by power of proxy, registration certificate or other authorisation, please submit your documentation well in advance of the meeting. The information you provide will be used only for the Annual General Meeting.

Shareholders or their proxies may be accompanied at the Annual General Meeting by a maximum of two people. They may only attend, however, if the shareholder has notified Saab AB as indicated above.

## RIGHT TO PARTICIPATE

Only shareholders recorded in the share register maintained by Euroclear Sweden AB on Thursday, 9 April 2015 are entitled to participate in the meeting. Shareholders registered in the names of nominees through the trust department of a bank or a brokerage firm must temporarily reregister their shares in their own names to participate in the meeting. To ensure that this re-registration is recorded in the share register by Thursday, 9 April 2014, they must request re-registration with their nominees several business days in advance.

## DIVIDEND

The Board of Directors proposes a dividend of SEK 4.75 per share and 17 April 2015 as the record day for the dividend. With this record day, Euroclear Sweden AB is expected to distribute the dividend on 22 April 2015.

## DISTRIBUTION OF THE ANNUAL REPORT

The annual report will be available on Saab's website, [www.saabgroup.com](http://www.saabgroup.com), approximately four weeks prior to the Annual General Meeting on 15 April. It can also be ordered from Saab's head office, Investor Relations. A printed version of the annual report will be distributed to those who became shareholders in December 2014, January and February 2015, as well as other shareholders who request a printed version.

# MULTI-YEAR OVERVIEW

MSEK, unless otherwise indicated	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Order bookings	22,602	49,809	20,683	18,907	26,278	18,428	23,212	20,846	27,575	17,512
Order backlog 31 December	60,128	59,870	34,151	37,172	41,459	39,389	45,324	47,316	50,445	42,198
<b>Sales</b>	<b>23,527</b>	<b>23,750</b>	<b>24,010</b>	<b>23,498</b>	<b>24,434</b>	<b>24,647</b>	<b>23,796</b>	<b>23,021</b>	<b>21,063</b>	<b>19,314</b>
Foreign market sales, %	55	59	64	63	62	69	68	65	65	56
Defence sales, %	79	81	82	84	83	83	83	81	79	82
<b>Operating income (EBIT)</b>	<b>1,659</b>	<b>1,345</b>	<b>2,050</b>	<b>2,941</b>	<b>975</b>	<b>1,374</b>	<b>166</b>	<b>2,607</b>	<b>1,745</b>	<b>1,652</b>
Operating margin, %	7.1	5.7	8.5	12.5	4.0	5.6	0.7	11.3	8.3	8.6
Operating income before depreciation/ amortisation and write-downs (EBITDA)	2,523	2,367	3,168	4,088	2,187	2,598	1,515	3,685	2,519	2,182
EBITDA margin, %	10.7	10.0	13.3	17.4	9.0	10.5	6.4	16.0	12.0	11.3
Income after financial items	1,523	979	2,003	2,783	776	976	-406	2,449	1,693	1,551
<b>Net income for the year</b>	<b>1,168</b>	<b>742</b>	<b>1,560</b>	<b>2,217</b>	<b>454</b>	<b>699</b>	<b>-242</b>	<b>1,941</b>	<b>1,347</b>	<b>1,199</b>
Net income attributable to Parent Company's shareholders	1,153	741	1,585	2,225	433	686	-248	1,921	1,300	1,189
Total assets	29,556	27,789	28,938	31,799	29,278	30,430	32,890	33,801	32,771	30,594
-of which advance payments, net	856	818	553	1,022	643	442	897	2,558	3,642	3,528
-of which total equity	11,373	12,227	11,280	13,069	11,444	10,682	9,330	11,008	10,025	9,493
-of which equity attributable to Parent Company's shareholders	11,291	12,136	11,168	12,950	11,274	10,542	9,240	10,981	9,802	9,179
Equity per share, SEK <sup>1)</sup>	107.02	114.04	105.43	122.94	107.66	99.91	86.49	101.53	89.80	84.10
Net liquidity/debt excluding interest-bearing receivables and net provisions for pensions	185	1,953	3,837	4,735	2,382	-1,631	-3,061	-2,802	-261	5,144
Net liquidity/debt	-2,113	813	1,996	5,333	3,291	-634	-1,693	-1,627	605	2,856
Cash flow from operating activities	-713	-662	350	2,392	4,487	1,696	954	-1,304	969	2,541
<b>Free cash flow</b>	<b>-1,094</b>	<b>-1,460</b>	<b>-396</b>	<b>2,477</b>	<b>4,349</b>	<b>1,447</b>	<b>659</b>	<b>-1,603</b>	<b>-1,900</b>	<b>2,645</b>
Average capital employed	15,897	15,454	15,131	13,987	13,743	13,775	13,994	13,430	12,789	12,925
Return on capital employed, %	11.1	9.1	14.6	22.2	7.9	10.3	1.4	19.4	14.5	14.6
Return on equity, %	9.9	6.3	12.8	18.1	4.1	7.0	-2.4	18.5	13.8	13.5
Profit margin, %	7.49	5.92	9.18	13.21	4.47	5.78	0.82	11.40	8.83	9.73
Capital turnover rate, multiple	1.48	1.54	1.59	1.68	1.78	1.79	1.70	1.71	1.65	1.49
Equity/assets ratio, %	38.5	44.0	39.0	41.1	39.1	35.1	28.4	32.6	30.6	31.0
Interest coverage ratio, multiple	7.37	3.29	10.91	9.58	3.20	3.16	0.35	21.40	13.47	6.08
Earnings per share before dilution, SEK <sup>2) 5)</sup>	10.86	6.98	15.00	21.19	4.12	6.45	-2.31	17.68	11.91	10.89
Earnings per share after dilution, SEK <sup>3) 5)</sup>	10.78	6.79	14.52	20.38	3.97	6.28	-2.31	17.60	11.91	10.89
<b>Dividend, SEK</b>	<b>4.75<sup>4)</sup></b>	<b>4.50</b>	<b>4.50</b>	<b>4.50</b>	<b>3.50</b>	<b>2.25</b>	<b>1.75</b>	<b>4.50</b>	<b>4.25</b>	<b>4.00</b>
Gross capital expenditures for tangible fixed assets	732	543	328	325	262	197	386	395	433	296
Research and development costs	5,970	6,543	5,946	5,116	5,008	4,820	4,141	4,523	3,537	3,546
<b>Number of employees at year-end</b>	<b>14,716</b>	<b>14,140</b>	<b>13,968</b>	<b>13,068</b>	<b>12,536</b>	<b>13,159</b>	<b>13,294</b>	<b>13,757</b>	<b>13,577</b>	<b>12,830</b>

<sup>1)</sup>Number of shares, excluding treasury shares, as of 31 December 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; and 2006/2005: 109,150,344.

<sup>2)</sup>Average number of shares 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 and 2006/2005: 109,150,344.

<sup>3)</sup>Average number of shares 2014: 106,916,255; 2009–2013: 109,150,344; 2008: 107,515,049; 2005–2007: 109,150,344.

<sup>4)</sup>2014 Board of Directors' proposal.

<sup>5)</sup>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

<b>9LV</b>	Combat Management System	<b>ISP</b>	Inspektionen för Strategiska Produkter (Swedish Agency for Non-Proliferation and Export Controls)
<b>AESA</b>	Active Electronically Scanned Array	<b>ISR</b>	Intelligence, surveillance and reconnaissance
<b>AEW&amp;C</b>	Airborne Early Warning & Control	<b>LFV</b>	Luftfartsverket (The Air Navigation Service Provider for Sweden)
<b>AMB</b>	Agile Multi-Beam	<b>MSA</b>	Maritime Surveillance Aircraft
<b>AMV</b>	Armoured Modular Vehicle	<b>NATO</b>	North Atlantic Treaty Organization
<b>Arthur</b>	Artillery Hunting Radar	<b>ROV</b>	Remotely operated vehicle
<b>A-SMGCS</b>	Advanced - Surface Movement Guidance & Control Systems	<b>RT</b>	Remote tower
<b>AT4</b>	Anti-Tank weapon	<b>SOTACS</b>	Special Operations Tactical Suit
<b>AUV</b>	Autonomous Underwater Vehicle	<b>SRSAM</b>	Short Range Surface to Air Missile
<b>BNP</b>	Bruttonationalprodukt, GNP	<b>T-X Programme</b>	The United States procurement programme for fighter trainers
<b>C4I</b>	Command, Control, Communications, Computers and Intelligence	<b>UAV</b>	Unmanned Aerial Vehicle
<b>Carl-Gustaf</b>	Man-portable multi-role weapons system	<b>U.S. SOCOM</b>	U.S. Special Operations Command
<b>CBRN</b>	Chemical, Biological, Radiological, Nuclear agents	<b>VSHORAD</b>	Very Short Range Air Defence
<b>CISB</b>	Swedish-Brazilian Centre for Research and Innovation	<b>FTE</b>	Full time equivalent
<b>Erieye</b>	Radar system (AEW&C)		
<b>ETPS</b>	Empire Test Pilots' School		
<b>FMV</b>	Försvarets Materielverk (Swedish Defence and Materiel Administration)		
<b>FN</b>	United Nations, UN		
<b>FOI</b>	Totalförsvarets Forskningsinstitut (Swedish Defence Research Agency)		
<b>Giraffe</b>	Surveillance radar system		
<b>GRI</b>	Global Reporting Initiative		
<b>Gripen</b>	Fighter system		
<b>ICT</b>	Information and Communications Technology		

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**SAAB**

